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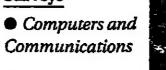
Successful union on the defensive



Big problems for European companies

Lamont says UK inflation must come down further

Surveys



Section III



European finance and investment: France

FINANCIAL TIMES

Europe's Business Newspaper

More than 240 die in Egypt's worst earthquake

At least 241 people were killed and 2,000 injured in Cairo when the most powerful earthquake in Egypt's history hit the city of 12 million people. Among the dead and injured were children crushed when people tried to escape from swaying, shaking buildings. Security sources said they had reports of 80 collapsed or damaged buildings across the city of 12 million. Page 4

Bush trails in debate: US president George Bush's struggle to be re-elected looked even harder as he was widely judged to have turned in the poorest performance in the first televised US presidential debate on Sunday night. Page 20; Deputies in election limelight, Page 8

US markets: The Dow Jones Industrial Average closed up 37.83 at 3,174.41, almost recouping Friday's 39.45-point loss as US markets revived on Iresh hopes for a cut in US interest rates. Page 46

EC VAT deadline: Hundreds of thousands of European companies will not beat a January 1 deadline for modifying information and computer systems in order to achieve radical changes in their handling of value added tax. Page 20; Editorial Comment, Page 18; Details, Page 13

Eighth London bomb: At least 13 people were injured, some seriously, in a lunchtime bomb blast at a bar in central London. It was the eighth hiast in the capital since the IRA started its London bombing campaign last Wednesday.

UK tank maker: Vickers, the UK engineering group, accused the Bush administration in the US of using political clout to secure a crucial Kuwaiti tank deal for the US company General Dynamics just before the American presidential election. Page 20; Observer, Page 19; Lex. Page 20

Philip Morris's chocolate who Kraft General Foods International, part of the Philip Morris group of the US, won control of more than 50 per cent of Freia Marabou, Scandinavia's leading chocolate and snacks producer. Page 21

lllescu re-elected: Romanian president Ion lliescu, a former top Communist official, has secured re-election with an almost two-thirds

FT-SE Mid 250 index: On its first day, the new FT-SE Mid 250 index showed the way in which shares of mid-sized companies often move differently from those of larger rivals.

The FT-SE Mid 250, containing the 250 companies ranking in size just below the FT-SE 100, closed yesterday at 2,403.0, up 10.1 points. The big companies in the FT-SE 100 did much better: that index closed at 2,557.2, up 16.0 points. The other new index, the FT-SE Actuaries 350 (which combine the FT-SE 100 and the FT-SE Mid) closed at 1,230.4, up 7.1. Details and new index table.

Americans win medical Nobel prize: Two US biochemists, Edwin Krebs and Edmond Fischer, jointly won the 1992 Nobel Medicine Prize for work that could advance the search for an anti-cancer drug.



On the 500th anniversary of Christopher Columbus's landfall in the New World, tourists pose in front of a replica of his ship on the final day of the Expo 92 exhibition in Seville.

Volvo plant closures: Volvo, Sweden's leading car manufacturer, will decide next month on closure of two of its three showcase Swedish assembly plants. Page 21

Lucas to restructure: Lucas Industries, one of the UK's largest engineering groups, is to shed at least 4,000 jobs in a three-year restructuring programme. The group made a provision for the moves of £86.4m (\$151m) in its 1991-92 financial results, which showed a sharp reduction in annual pre-tax profits to £22.5m and a net loss of £8.8m.

II STOCK MARKET INDICES	■ STERLING
FT-SE 100: 2.567.2 (+1	6.0) New York
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FT-SF Eurotrack 100 884.55 (-2)	.53) London
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S&P Composite407.44 (+4	78) Y 206.25 (sam
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Federal Funds:closed	M DOLLAR
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New York Comex 5345.2 (35	U.4)
London\$345,8 (350.	85) Tokyo close Y 121.82

By Peter Norman and Raiph Atkins in London

MR Norman Lamont, Britain's chancellor of the exchequer, yesterday said UK economic policy would continue to be aimed at cutting inflation and rejected any idea of promoting faster growth. The chancellor, questioned by a powerful parliamentary panel, the all-party Commons Treasury

and Civil Service committee, said

exchange rate in formulating monetary policy.
The UK would have no

exchange rate target now that it had left the European exchange rate mechanism, he said. Nevertheless he would "attach particular importance" to the pound's movements against the Bank of England's trade weighted index

He also said Britain's inflation ful attention to the sterling rate - currently 4 per cent would have to "come down further". The UK had to compete with countries with lower infla-

Mr Lamont's evidence shed no new light on how the government would use the various monetary and financial indicators that it has chosen as guides to monetary policy when setting

He did not say when sterling might return to the ERM, insisting only that it would be "quite impractical" to rejoin the mechanism before economic and monetary conditions in the UK and Germany are more compatible.

In what could be a move to give the government leeway before re-entering the ERM, he repeatedly said that the UK would be able to ratify the Maastricht Treaty on closer European union without first having sterling back in the mechanism. The emphasis the chancellor placed on curbing inflation and the need to avoid a free fall in sterling persuaded some com-

rush to cut interest rates. Opinion on the domestic money market has been moving in the direction of a cut in rates in recent days. Three months money, a key indicator of how

mentators that he would be in no

the market thinks base rates are moving, closed at around 811 per cent yesterday and was therefore some way from discounting a half-point cut in bank base rates from their current 9 per cent. By avoiding any serious mis-

Continued on Page 20 Background, Page 9 Editorial Comment, Page 18 Currencies, Page 42 London stockmarket, Page 35

Brussels sets out deal for division of power in EC

By David Gardner in Brusseis

THE European Commission wants a settlement between Brussels and European Community member states to resolve the power struggle within the EC. clarify the principle of subsidiarity and end the crisis over the Maastricht treaty.

A confidential draft of its proposed deal obtained by the Financial Times shows that Brussels is aiming for a solution analogous to the division of powers detailed in the 10th amendment to the US constitution, which reserves for individual states power not vested in the federal government. The Commission was expected to

approve this draft last night or today. The draft proposes three main principles which will be put forward to the EC summit in Birmeant to clarify the point that power in the EC rests with the member states unless otherwise

Although the Commission is the first EC body to outline a formal settlement, the main political result of the document may therefore be to take the heat off

This solution would not require tampering with the Maastricht treaty, since it would take the form of a separate "Interinstitu-tional Agreement on the Subsidlarity Principle" between the Commission, the European Parliament and the Council of Minis-

ters of the 12 member states. On Friday, EC heads of government will try to hammer out a deal on subsidiarity - the principle that the EC should act only when measures taken nationally

or locally are ineffectual - and try to resolve the crisis over ratification of Maastricht.

The Commission is trying to selze the initiative and neutralise attempts by the bigger member states to emasculate its powers. It is also putting pressure on the Twelve to decide exactly what it is they want the EC to do in common.

Brussels also wants to: Move from intrusive and binding legislation towards framework laws which member states would agree but implement according to national circumstances.

 Devolve much responsibility for implementing EC law to member states.

 Decentralise management of "a number of the Commission's more burdensome activities" including agricultural markets and regional spending - which together amount to four-fifths of the EC budget.

The first principle, detailed in the draft agreement, states that: "The powers of the member states shall constitute the rule; the Community's powers, whether exclusive or shared with the member states, shall constitute the exception."

The second says the subsidlarity clause in Maastricht con-cerns purely "the exercise and not the conferment of powers, which is reserved for the authors of the treaty", namely the national governments.

The third pillar is that the EC should only act where there is demonstrable need, and that the measures it takes should be proportional to the result sought.

Talking tactics, Page 2

China told to be bold over reforms

By Simon Holberton in Beljing

CHUNA should "dare to experiment" in changing from the old economic structure to the new, Jiang Zemin, general secretary of the Communist party, told delegates to its 14th congress yesterday.

Jlang, addressing the first congress since the fall of the Soviet Union, said practice had shown that, where "market forces have been given full play, the economy has been vigorous and developed in a sound way". China should be

bold in exploring new ways. He foreshadowed further price and state enterprise reforms and an overhaul of China's elephantine bureaucratic structure. He revised China's target

growth rate upwards, from 6 per cent to 8-9 per cent for each year to the end of the decade. He warned, however, that simultaneous prosperity for

everyone was not possible, saying that China must allow and encourage some areas and individuals to grow rich first. Jiang held out little hope for any form of political reform,

country's legal system. He said the goal of this reform was to build a "socialist democracy" and "absolutely not a western, multiparty, parliamentary system". Diplomats said much of what Jiang said on politics was defen-sive and underlined that, while

had set its face against western They doubted, however, whether China could absorb the west's economics and remain

the party was prepared to adopt

western economic methods, it

untouched by its political ideas. The decision by the Congress not to reappoint the Central Advisory Commission, a body containing the party's elderly members, and Jiang's encouragement for younger officials were

seen as positive developments. He dismissed the 1989 Tianan-

Chinese Communist party general secretary Jiang Zemin opens the 14th party congress in the Great Hall of the People in Beijing with a call for more adventurous economic reforms

men demonstrations for democracy - which ended in bloodshed after the military was called in as "a political disturbance" over

took a "clear-cut stance" Much of what Jiang said concerning economic reform had been leaked before the Congress or had begun to be implemented over the past year. As such, it came as little surprise to diplo-mats and observers in Belling, but the very fact of his saying it gave the measures the imprima-

tur of the party, they said. "The people have now got a formal endorsement from the top to go out and make money," a

According to one western diplomat: "Anything is almost possible in China and this document will give companies the ideologi-

do what they want." The top priority for China's leadership is the reform of the state industrial sector. "We must change the way in which stateowned enterprises operate and push them into the market.' Jiang said.

He foreshadowed the separation of ownership from manage-ment by making all large and medium-sized state enterprises legal entitles which would be responsible for their own financial performance. Limited privatisation was also forecast with small state-owned companies to be leased or sold to collectives or individuals.

Jiang indicated that the cost of change might be unemployment He said the state should speed up the establishment of a social insurance system "covering unemployment, old age and health and the reform of housing

in the cities and towns". Reform of the price system was key to the success of economic reform, Jiang said. He added it was necessary to proceed more rapidly with price reform and establish a system where most prices are determined by market

German union leader offers five-year deal on pay rises

By David Goodhart in London

THE LEADER of Germany's largest and most powerful trade union has offered the government five years of pay peace dur-ing which he would expect pay rises to do no more than preserve the purchasing power of his 3.5m

Mr Franz Steinkühler, who will today be re-elected as leader of the IG Metall engineering union, made the offer as the union's opening shot in the renewed debate about a "solidarity pact" to place the financing of German unification on a sounder footing.

The offer, made in an interview with the Financial Times, follows a suggestion from Mr Richard von Weizsäcker, the German president, that unions should not seek increases in real wages for several years.

"We would be happy to make a pact in which, over the next five years, real wages would be pro-tected. That would be a good basis for a solidarity pact," said

ERM and Maastricht......3 International News......4,5

World Trade News6

force by a further 2,300 to 11,000 Page 2

where the IG Metall Congress opened on Sunday. The offer represents a small but significant concession by the union - which usually demands a cost of living increase plus a share in productivity improvements - and underlines that it is

ready to contribute to a solidarity

However, few of the union's other ideas for such a pact are likely to find favour with the government. IG Metall, like the opposition Social Democrats, favours another round of tax increases to help finance unification, but Mr Steinkühler insists that this time "they must be more fairly distributed and cover a more realistic

IG Metall itself is under growing pressure to relax an agree-Mr Steinkühler in Hamburg, ment, signed with the engineer-

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Gold Markets

Int. Bond Service 25 Managed Funds 38-42

east German manufacturing plants are almost double west German levels, deterring badly needed investment.

Mr Steinkühler says the convergence agreement is not nego-tiable. But some senior IG Metall officials also say, privately, that east German wages should be fro-zen at the 1994 level for several years after that date.

The debate over a possible renegotiation heated up yesterday, when Mr Jürgen Möllemann, the economics minister, said he would introduce a law to allow renegotiation, if the unions and employers failed to agree such a move themselves.

"The chancellor [Helmut Kohl1 proposes a solidarity pact, and then Möllemann sabotages it," an angry Mr Steinkühler declared.

> Union faces up to unification, Page 19

> > Investment: France,

WHEN WE INVEST IN A COMPANY WE'RE NOT INTERESTED vergence of east German hourly The loss-making semiconductor wage rates to the west German business of Siemens, which has level by 1994. German employers already shed almost 2,000 jobs IN ITS WORTH. say unit labour costs in most of this year, plans to cut its work-

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VENTURE CAPITAL MANAGEMENT BUY-OUTS

THE FINANCIAL TIMES LIMITED 1992 No 31,886 Week No 42 \$\phi\$ LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Eastern Germany imported

DM5.18bn from western Ger-

many in July, up 25 per cent

from a year ago, the Federal

Statistics Office reported yes-

terday, AP-DJ reports from

Germany from eastern Ger-

many in July amounted to

in July 1991, the agency added. In the first seven

months of July, eastern Germany imported DM34.17bn

from the 11 western states, 42 per cent more than the same

period a year earlier. Exports to western Germany rose 10

over at around last year's

DM2bu (£800m) by stepping up

volume sales by 10 per cent,

there had been no significant

impact on losses. The Siemens

semiconductor business lost

However, Mr Knorr claimed

markets were expected to

improve next year thanks to

increased demand from mobile

telephone manufacturers, the

conventional telecommunica-

tions industry, and the motor

iary of the BASF chemicals

group, which lost DM234m last

year on sales of DM2bn, said

its tape factory in Ettenheim,

Germany, would close by the middle of next year and a

works in Gien, France, would

The company, which first

announced plans to close the

Ettenheim works last year, and

then shelved them following

protests from the workforce,

does not expect to return to

Olivetti, the Italian conglom-

erate, is to close its Triumph-

Adler factory in Nuremberg at

the cost of about 1,000 jobs.

Last ditch

profit until 1994.

be shut by the end of 1993.

BASF Magnetics, a subsid-

per cent to DM5.79bn.

DM500m last year.

Goods flowing to western

By Christopher Parkes in

TWO of Germany's leading multinationals yesterday blamed falling demand and prices in markets for electronics for the planned loss of almost 3,000 jobs.

Siemens, the electrical and electronics engineering giant, said it had been forced to speed up rationalisation of its lossmaking semiconductor

The division, which has already shed almost 2,000 jobs this year, plans to reduce its international workforce by a further 2,300 to 11,000 by the time restructuring is complete in 1995, Mr Jürgen Knorr, managing director, said yesterday.

Timing of the cuts would depend on market developments, he said, painting a gloomy picture of current pros-

Meanwhile, BASF unveiled plans to close two audio and video cassette factories by the end of next year and reduce its payroll by 570.

The announcements add to a rapidly growing tally of job losses among leading German manufacturers, which are now feeling the full effects of international recession coupled with a rapid slowdown in the

Other recent cuts include the loss of 7,500 jobs at Deutsche Aerospace, the aircraft and space division of Daimler-Benz. Earlier this year the group said it was to reduce the payroll at its Mercedes-Bonz vehicles subsidiary by 20,000.

Mr Knorr said prices for semiconductors had fallen 20 per cent and sales to important customers such as television. audio and engineering companies were down 25 per cent.

While the division had man-

France to

help small

businesses

with loans

THE French government

yesterday announced plans to help the country's hard-

pressed small businesses with

what amounts to an increase

of FFr11bn (\$2.3bn) in soft

The government plan repre-

sents an effort to stop the

wave of small company bank-

ruptcies under the impact of

high interest rates, without

significantly adding to the

The two-part plan consists of

the following:

Increasing by FFr1bn to

FFr26bn the annual threshold

for soft loans raised from low-

interest deposits with the state

savings banks and channelled

to the country's industrial

Such money can currently

be borrowed by companies

(with less than FFr500m turn-

deficit of FFr165bn has been

sharply criticised by the oppo-sition, or from Sofaris' funds.

budget deficit.

By David Buchan in Paris

Siemens plans Bundestag plans tighter control of EC issues

GERMANY'S main political parties are expected to reach agreement this week on an important constitutional amendment, giving the German par-liament far more power to influence legislation in the European

The plan, drafted by constitutional experts from the Christian Democrats and Free Democrats, from the government side, and from the opposition Social Democrats, would set up a form of EC oversight committee,

Britain and Denmark.

The new deal is likely to make Germany a less flexible negotiating partner, just as Denmark and Britain already are, because of their parlia-mentary control systems. The German plan would require the government to submit all proposed EC legislation to the committee, before it comes up for negotiation in the Coun-cil of Ministers, and then to take ount of the parliamentary opinion

in its subsequent negotiations. It amounts to the first time that the

elected lower house of parliament - has insisted on real powers to oversee and influence law-making in Brussels. Until now, the EC committee of the Bundestag has been little more than a rubber stamp for the negotiations of the German govern-

Bonn has virtually agreed to similar powers for the 16 federal states in the Bundesrat, the upper house. German parliamentarians defend the proposed enhancement of their

TF OLD prejudice ruled the

currency markets, the Por-tuguese escudo should be

having a terrible time, along

with its southern neighbours

in the exchange rate mecha-

nism, the lira and the peseta.

The Portuguese are, after all,

much poorer than Spaniards or

But no. While the lira has

been catapulted from the sys-

tem and the peseta has deval-ued 11 per cent since July, the

tiny escudo has ridden out the

European Monetary System's

currency storm well within its

6 per cent ERM fluctuation

minor capital control.

about one year's imports.

Happy government officials

in Lisbon, from Prime MinAni-

bal Cavaco Silva down, insist

this is simply market recogni-tion of the sound state of Por-

tugal's "fundamentals" - al-

most full employment, falling

inflation (9 per cent from 11.4

per cent in 1991), declining

interest rates and public debt,

greater democratic control over Brusseis - a demand sparked off by the current debate over the Maastricht treaty on European union. The Bundestag is likely to make the constitutional amendment a precondition for ratification of the treaty. They also say that its aim is to

make the EC more democratic, and more integrated, rather than to resist the integration process. However, they admit that it will depend very much on how such a powerful committee operates.

The plan won the backing yester-

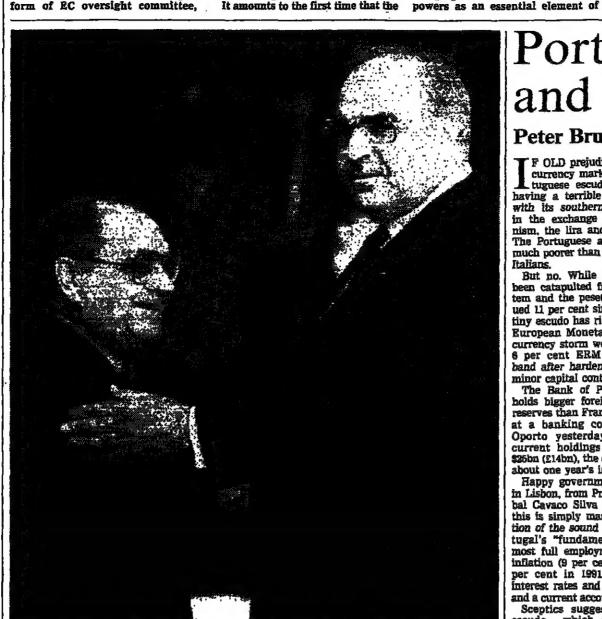
Portugal's currency

and the great escape

day of the Christian Democratic Union and Christian Social Union Bundestag leadership, and is expected to be approved by the full constitutional committee on Thursday. A simple constitutional amendment

in deal

will be complemented by an accompanying law spelling out the details, requiring the German government to provide comprehensive information to the planned committee on every item of legislation, including an explanation of its purpose, of the government negotiating plans, and of the positions of other member states.



French Prime Minister Pierre Bérégovoy with Chancellor Helmut Kohl in Bonn

effort on **Bonn and Paris talk tactics** pregnancy

directive By Dgvid Goodhert. Labour Editor

A LAST-DITCH attempt to save the European Community directive protecting the jobs and incomes of pregnant working women will be made today at the informal EC social affairs council in Chepstow,

The directive would be the first in the social field to lapse since 1985 if agreement is not reached before October 19. Although some countries with good provision for pregnant workers are not concerned about a lapse, the UK, currently President of the EC, is keen to push through a deal.

A possible compromise is likely to centre on an addendum to the directive which would make some commitment to improving the benefits for pregnant workers within a specified period. That might persuade Italy, the dissident

improved package. Italy then

broke ranks, arguing it was not

over) at 8.75 per cent, when base rates are at 9.85 per cent. country, to fall back into line. Creating a loan guarantee The original proposal was to ensure women the right to fund to be operated by the state-controlled organisation return to work and give them Sofaris, which up to now has only helped underwrite risk capital invested in small busi-14 weeks on full pay. UK pressure saw the proposal scaled down to 14 weeks on the equivnesses. With backing of alent of statutory sick pay. The terms were then improved to 16 weeks on 80 per PFr300m, Sofaris will now be able to cover up to 50 per cent cent of salary. Member states of FFr10bn in new investment loans. It was unclear yesterexcept Italy wanted to stick to day whether the FFr300m the original sick pay proposal, would come from the national but to do this they had to hudget, whose planned 1993 reject unanimously the

worth having.

CHANCELLOR Heimut Kohl of Union by all 12 member states to stress that all the official Germany and Mr Pierre Béré - including Denmark and activity does not amount to a govoy, the French prime minis- Britain. ter, met in Bonn yesterday to

prepare their positions for Friday's EC summit in Birmingham - and firmly rejected any suggestion of a "two-speed" European Community, writes Quentin Peel in Bonn. As officials in Bonn denied

any part in preparation of plans for an inner-core fast track Community, the two heads of government insisted that they were still determined to gain ratification of the Masstricht treaty on European

MR DOUGLAS HURD, the

British Foreign Secretary, yes-terday discounted reports that France and Germany sup-

ported the drafting of an alter-

native treaty for European

union in case Denmark and

Britain did not ratify the Maas-

tricht treaty.

He was referring to reports

that the European Commission

had begun work on the draft,

following a secret agreement between Chancellor Helmut

Kohi of Germany and Presi-

dent François Mitterrand of

France to pursue European

integration with the Benelux countries if the Maastricht

treaty proved to be a dead

Mr Hurd told members of the

By Robert Mauthner, Diplomatic Editor,

Mr Kohl is involved in a hectic round of preparatory talks for the summit, along with Mr Klaus Kinkel, who flew last night to Paris for a dinner with Mr Roland Dumas, his French counterpart, and Mr Javier Solana, the Spanish foreign minister.

Today Mr Kinkel will fly to Brussels for a working dinner with Mr Jacques Delors, the president of the European Commission.

German officials are at pains

UK discounts fresh treaty

House of Commons Foreign Affairs Committee that, if the

treaty was not ratified, there

was clearly a danger that some

EC states would decide, "after a time", that the benefits of

working together were such

that there should be a new

that the federal chancellor [Mr

Kohl| and the French president

[Mr Mitterrand] are not inter-

ested in that approach. But

whether there are people chat-

tering on these lines in the

background, I cannot possibly

man dispute over Britain's

withdrawal from the European

exchange rate mechanism (ERM). Mr John Major, the

British Prime Minister, and

Chancellor Kohl will attempt

to mend their fences at a work-

After the recent Anglo-Ger-

"However, it is clear to me

framework.

say," he said.

specific German "initiative", but is rather part of a concerted effort by all member states to find common ground on a political declaration from the Birmingham summit, designed to reassure all their electorates about the Maastricht process.

One element in that process is the German plan for increased enforcement of "sub-

ing dinner in Birmingham on Thursday, on the eve of the

Community's one-day emer-

on the principle of subsidiarity

enshrined in the Maastricht treaty - that the centralised

EC institutions should only

deal with matters which can-

not be decided more effectively

at national level - will also be

Both Downing Street and Mr Hurd poured cold water on any

expectations the summit would

produce substantial results. It

was the hope of the British EC

presidency that the meeting would decide on clear instruc-

tions to the Community's coun-

cil of ministers on how to

define subsidiarity. The coun-

cil would present its definitive

conclusions to the full EC sum-

mit in Edinburgh in December.

high on the agenda.

How to put flesh and bones

gency summit.

sidiarity in EC decision-making, as well as ideas for greater transparency in the whole EC

That resolve is key to talks that begin soon between the has not been magnified in Porgovernment, unions and

Peter Bruce and Patrick Blum report on the escudo employers on 1993 wage increases. These talks can fix gainst the D-Mark (Escudos per DM)

band after hardening just one tugal. We have done tough things and every meeting of The Bank of Portugal now the Cabinet now is eliminating holds bigger foreign currency reserves than France. Speakers (public) services that we don't want. For its part, industry is at a banking conference in now well aware that it cannot Oporto yesterday estimated current holdings at at least depend on the depreciation of \$25bn (£14bn), the equivalent of the escudo to gain competitive-

87.5 **~~~~**

The government is about to tighten the screws with a rigorous 1993 budget, which, the prime minister says, will be a "negative increase" in monetary terms. The budget aims to cut the public sector deficit from above 5 per cent to less than 4 per cent of GDP, taking the country to within a whisker of one of the main targets of EC economic and monetary

in the early 80s. Portugal,

meanwhile, fought wars in

Africa and overthrew its dicta-

torship in a left-wing revolu-

tion, which much of the 80s

was spent reversing.
Thus, Portugal is now

steadying itself to deal with

large-scale industrial restruct-

uring and an inevitable rise in

unemployment. Even the

prime minister says jobs will

go, and, in fact, that they prob-

ably should, if the country is to

become competitive. "Our rate of unemployment (below 4 per cent) is too low," he says. "We

are prepared for higher unem-

ployment if necessary."

and a current account surplus. Sceptics suggest that the escudo - which only joined the ERM in April - has escaped because speculators have not realised it is there to pain's big and recent deficit problems have been a stark reminder to Lisbon play with yet. They say the peseta's slide against the of how quickly things can go escudo makes a devaluation, bad. Spain has a more virtuous soon, inevitable. Portugal does economic past than the Portuguese - opening its economy more than 20 per cent of its trade with Spain. in the 60s, democratising smoothly in the 70s and savagely attacking industrial fat

In Lisbon, though, the government is brimming with purpose and policies. With the socialist opposition at war with itself, Mr Cavaco Silva's Social Democrats are slimming down the civil service and facing down opposition over introduction of university fees, military cuts and a new strike law.

Underpinning this is the prime minister's consistent use of exchange rates to fight inflation. Appointed finance minister in 1979, after a string of devaluations, he quickly revalued the escudo by 6 per cent and has systematically boosted the currency since becoming prime minister in 1985.

"This is the first time since 1974," says Mr Cavaco Silva, "that a foreign economic crisis

public service pay but set guidelines for the private sector. Lisbon will seek agreement tion targeted at between 5 per cent and 7 per cent.

Mr Miguel Namorado Rosa. chief economist at Banco Comercial Portugues, thinks this is optimistic. "The country is going through a very pro-nounced slowdown," he says. The government has cut growth estimates for this year from 3.5 per cent to 2.5 per cent and investment is falling "I think that when the cur-

rency markets stabilise we are going to see a dramatic devalu-Rosa. Mr Jose Alberto Tavares Moreira, until recently governor of the central bank, agrees. The escudo is perhaps too strong at the moment," he says. "It is not sustainable and will inevitably be reflected in a deterioration of the external accounts." But as a 5 per cent devaluation would take the heat off labour intensive exporting industry and could lift inflation to 10 per cent next year. Lisbon is not keen to move before setting the private sector a tough wages target. Time, though, is very tight, if agreement is to be reached efore Portugal becomes swept up in broad ERM realignment.

For the moment there may be safety in obscurity. "The escudo's life in the ERM has been so short that most market operators may not know it is a there." says Mr Namorado Rosa. Even if they do, Portugal's \$25bn currency reserves the tradeable escudos on the market even though central bank intervention has drawn down non-gold reserves because of recent turmoil in

the foreign exchange markets.

And while the government's decision to halve the overdrafts that foreign branches of Portuguese banks can hold with their parents damages the spirit of Lisbon's decision in the summer to lift all capital controls next year, it was a relatively serene decision. "Portugal is run by economists," notes Mr Joao Oliveira Rendeiro, who runs Gestifundo, a Lisbon fund manager, referring to the prime minister and his finance minister. Perhaps that

Brussels warned on mergers · Mediath, in

By Andrew Hill in Brussels

THE European Commission ought to be more flexible in deciding whether merger inqui-ries are handled in Brussels or by national anti-trust authorities, according to Sir Sydney Lipworth, chairman of the British Monopolies and Mergers

Speaking to lawyers at a symposium on EC merger control. Sir Sydney suggested the clause in the EC merger rules which allows member states to ask for jurisdiction over cer-

look-out for disguised state aid - in the form of

debt write-offs, for example - during the penul-timate phase of the project, when the govern-

ment is preparing the companies for sale. Brus-sels will also look askance at any attempt to

impose discriminatory terms on the flotation.

anomalies and might have to be rewritten. Sir Leon Brittan, the EC competition commissioner, has repeatedly stressed that the two-year-old merger regulation is intended to provide a "one-stop shop" for cross-border merger inquiries, sparing companies the need to go to two or three national authorities for approval.

But Sir Sydney said yesterday: "One should not be totally mesmerised by the one-stop shop. I think it's very useful, but what is more important is to get the right result for Eurotion." Only one deal - involving Tarmac and Steetley, the British building products groups - has been referred back to a national authority under the clause, which was included in the rules at Germany's request.

The German authorities have twice asked to examine mergers, on the grounds that they affected competition on a "distinct [national] market", but been refused. Dr Kurt Stock-mann of the German Cartel Office said yesterday that the German authorities were "not

dis in Lyons

Italian party picks new hero to clean its stables



Mino Martinazzoli, new Christian Democrat leader

By Robert Graham in Rome

ITALY'S Christian Democrat (DC) leadership yesterday elected Mr Mino Martinazzoli, a former defence minister, as secretary-general, entrusting him with the task of revitalising a discredited and divided

party . Mr Martinazzoli, 61, is on the so-called left of the party and is one of the few senior figures untainted by the series of corruption scandals and allegations of misuse of power.

He comes from Brescia in the north, where the party has suffered at the hands of the populist Lombard League. Recent local elections in Mantua showed DC support had been almost halved within a year, accelerating the tendency for the party's strength to be reduced to Rome and further

ITALY'S industry minister yesterday promised to be as open as possible with the European Commission about plans for a far-reaching privatisation of the country's public holding companies, writes Andrew Hill in Brussels.

Prof Gluseppe Guarino told Sir Leon Brittan, BC competition commissioner, that Rome wanted to co-operate during the three- or fouryear process which will end with the sale of shares in the public-sector groups. The detailed privatisation programme will be published EC competition authorities will be on the

south, where traditional patronage politics still hold He takes over from Mr later. But he was persuaded to stay on while the party

Arnaldo Forlani, who was widely blamed for a badly misattempted to find a successor. judged campaign in the April general elections when the DC vote fell to 29 per cent - below 30 per cent for the first time. Mr Forlani offered to step

Italian diplomats said yesterday that Sir Leon ought to welcome the increased openness and competition which privatisation would bring to the Italian state sector. Sir Leon is already looking at some sensitive state aid cases involving large Italian companies such as Ilva, the state-owned steel-maker, and car-maker Fiat. down in the immediate afterand outside the party in a math of the elections, and resigned formally two months institutions via referendums.

Mr Martinazzoli's main problem is retaining the loyalty of Mr Mario Segni, the reformist politician who has gathered considerable support inside

Rome, Mr Segni made clear that his ideas about changing the system squared little with those of the mainstream Christian Democrats. Mr Martinazzoli is believed

On Saturday at a rally in

to have offered Mr Segni the

number two job in the party and appears anxious not to lose him since he is the DC's most attractive electoral card. He is also expected to use the existence of Mr Segni's reformist movement to get rid of the party's old guard.

The latter, exemplified by men like Mr Forlani and Mr Giulio Andreotti, the former prime minister, have been keeping a low profile. But it is far from clear whether they realise the extent to which the rules of the political game have changed.

· Italy faces a four-hour general strike today in protest against proposed welfare cuts in the 1993 budget. The strike is expected to cause substantial transport disruption but essential services for health and the public utilities will be

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NEWS IN BRIEF

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Creditors at odds on Soviet debt deal

creditor governments are scheduled to meet in Paris in the middle of next week to discuss a possible rescheduling of the former Sovier Union's \$70bn foreign debt, writes Leyla Boulton in

Moscow.

A deferral of principal payments on medium-term debts has been extended until the end of this month in anticipation of a full rescheduling. But Paris Club creditors are at log-gerheads with each other and their commercial banks over how generous it should be.

Another problem is that Russia – which is the only repubiic to be making any debt repayments and wants formal responsibility for the entire debt if other republics give up claims on former Soviet assets - has so far failed to reach agreement with Ukraine on a special arrangement for sharing repayments with it.

Diplomats said this was less serious a problem, however, than disagreements between countries such as the US, which has relatively little exposure, and Germany, which is owed the lion's share.

Mr Peter Aven, Russian foreign economic relations minister, says Russia can pay only \$2.5bn-\$3bn next year instead of the \$20bn falling due.

Russians board Greenpeace ship

Russian coastguards yesterday fired three shots across the bow of a Greenpeace ship investigating nuclear contamination and boarded the vessel,

Reuter reports from Moscow. The Solo, with an international crew of 34, was boarded off the northern islands of Novaya Zemlya. It is on a mission to monitor radiation at a place where Soviet authorities dumped 15 nuclear reactors and 17,000 containers of

Kyrgyzstan to quit rouble zone

Kyrgyzstan, hard hit by Russia's price liberalisation last January, will leave the rouble zone and introduce its own currency by 1995, President Askar Akayev told Reuter in Bishkek, the capital. "We adopted a restructuring programme with the International Monetary Fund," he said. The IMF would lend the Central Asian republic \$300m next year. Kyrgyzstan joined the IMF in September.

The president has already pushed through legislation on foreign investment and made a modest start in privatising

Kyrgyzstan's largely rural economy, dependent on its neighbours' basic inputs of fuel, foodstuffs and raw materials, is facing collapse in a fragde commonwealth where co-ordination between member states is shrinking or entirely disappearing.

More deaths in Kurd violence

Twenty-seven people have been killed in recent violence involving rebel Kurds in southeast Turkey, security officials sald yesterday, Reuter reports from Diyarbakir.

They said 11 civilians, including six children and two women, had been killed on Sunday when rockets fired by Kurdistan Workers Party (PKK) guerrillas hit their homes in the town of Uludere. Nine rebels had been killed later in a clash with troops who launched a search operation in the area.

Third night of clashes in Lyons

Six people were arrested and a dozen cars burned when mostly-Arab youths clashed with riot police for the third night running in Vaulx-en-Velin, the troubled immigrant suburb of Lyons, Reuter reports

Youths threw stones at police firing tear gas grenades after a local resident shot dead a Moroccan-born 18-year-old.

aucasus crisis lures Russia into old imperial role If they are involved in Abkhazia, they are giving

thronged with soldiers wearing the uniforms of at least four different bands - or no uniform in particular. Further north, in Sukhumi, the capital of the war-torn autonomous region of Abkhazia, soldiers supervising the loading of refugees into aircraft are as hysterical as the fleeing women - fighting among themselves, screaming and pushing at their charges and delaying

the whole process with their inefficiency. In this former Soviet republie now descending into impoverished disorder, being the only candidate helped Mr Eduard Shevardnadze achieve a sweeping election victory at the weekend: indeed, no-one stood against him because no-

one thought they could - or wanted to - beat him. The former Soviet foreign minister won three times more votes than needed to become the leader of the Transcaucasian state. In an estimated 80 per cent turnout, voters defied appeals for a boycott by supporters of the ousted presider Mr Zviad Gamsakhurdia and gave Mr Shevardnadze more than 90 per cent of the vote.

Mr Shevardnadze says his mandate now is to bring peace, prosperity and democracy to his 5m-strong country. His first task, however, is to

wage more active war on the

clear signals they wish to control at least part of the region beyond their border, writes John Llovd

forces of the Abkhazians and their allies, which have succeeded over the past three weeks in pushing Georgian troops out of much of Abkhazia, save for the encircled units in Sukhumi. The Abkhazian separatists, lead by Mr Vladislav Ardzinba, wants to attach Abkhazia to Russia - citing a fear of Georgian oppression.

In 1989, it was demonstrations for Abkhazian independence from Georgia and for attachment to Russia (though Abkhazians make up less than 20 per cent of the population of Abkhazia, the Georgians more than 40 per cent) which sparked off demonstrations in Tbilisi for Georgian independence from Russia.

Now, the Abkhazians are supported by the Confedera-tion of Caucasian Mountain People - a mainly Moslem. pan-Caucasian organisation which is violently against the Shevardnadze regime and yearns for a Caucasian state.

In Sukhumi, among the few Abkhazians left is a former minister of the republic's government who has seen his fellow Abkhazians driven out of the city after Georgian troops entered it at the beginning of



last month and who recounts tales of theft and beatings. Indeed, during an interview in his flat, three Georgian soldiers burst in, guns at the ready, having been alerted by neighbours of the presence of the foreign press in the "Abkhazians' house". After an uncomfortable few minutes an officer arrived and took the

men away. Mr Georgi Khaindrava, the Georgian minister responsible for Abkhazia, said later that any impropriety on the part of his troops would be punished, if necessary with summary execution; he also admits there have been many excesses.

Out on the "frontline" along the river Gumista a few miles from Sukhuni, the two sides,

only 200 yards apart, trade light arms fire from behind walls and dugouts. Mr Khaindrava said at the weekend: "We expect an attack at any time, but we are ready."

The most serious charge is

the involvement of Russian soldiers. The allegation is that Russian units, with civilian volunteers from the Russian north Caucasian republics just over the Georgian/Russian border, form the backbone of the Abkhazian forces - especially when they took the town of Gagra earlier this month. The Russian units are alleged to be controlled by General Georgi Kondratyev, the Russian dep uty defence minister, and General Pavel Sigutkin, combase at Gudauta, in Abkhazia - where war material is unloaded and used on the

Abkhazian side. In the sophisticated version of this charge - used by Mr Shevardnadze and Mr Khaindrava - Mr Boris Yeltsin, the Russian president, is being led by the nose by "reactionary circles" in Russia. There is no proof of the involvement, and it is denied by the Russian defence ministry: however, the



A Georgian national guardsman rests on his automatic rifle in a lull between the fighting

volunteers from the Caucasian states enter Abkhazia freely, and the Abkhazians are well

armed. If the conflict is not stopped, it will consume this small country - inevitably reviving

the conflict in the South Ossetian region to the north, where peace between the Georgians and Ossetians is kept by Russian soldiers. If the Russians really are intervening - albeit clear signals that they wish to control at least part of the Caucasus outside Russia.

Meanwhile, the war between Armenia and Azerbaijan over the Armenian enclave of Nagorno-Karabakh has recently escalated as more powerful Azerbaijan seeks to reverse Armenian gains made

in the spring. Russia, though urged by Armenia (a member of the Commonwealth of Independent States) to assist it, has sought to keep a balance: Mr Yeltsin yesterday signed a treaty of co-operation and security with Mr Abulfaz Elchibey, the Azeri

Mr Shevardnadze said yesterday he was ready to meet Mr Yeltsin in or near Sukhumi today. However, a spokesman for Mr Yeltsin in Moscow said a delay in the planned talks was necessary to work out "new elements" in the process.

The three Caucasian states are not the only legacies of the Soviet imperium, but they are the most complex and violent. As the Commonwealth of Independent States further weakens, and as Russia defines its national interest more in classic terms of regional power bargaining and pressure than in efforts to create a co-operative commonwealth, so its meddling in these historically swirling waters must increase

Serbs pull out of talks with Croatia

By Laura Silber in Beigrade

SERBIA, under President Slobodan Milosevic, yesterday intensified its confrontation with the Yugoslav federal government by trying to scupper peace talks between the Yugoslav authorities and Croatia.

Serbia withdrew from talks in Zagreb, the Croatian capital, on the re-establishment of economic relations and transport, and the return of Croatian refugees to United Nations protected zones in Serb-held areas of Croatia.

. A Serbian government statement accused the Yugoslav government, under Prime Minister Milan Panic, of betraying Croatia's Serb minority by negotiating with Croatia.

osevic, on one side, and Mr Panic and Mr Dobrica Cosic, the Yugoslav president, is likely to sharpen further if last Sunday's referendum fails to win a vote in favour of early elections.

Unofficial results yesterday showed the vote to be less than the required 50 per cent majority.

Hopes for the demilitarisation of Sarajevo also foundered yesterday when Bosnian leaders pulled out of UNsponsored talks.

They accused Bosnian Serbs of stopping the repair of water and power in the Bosnian capital, which has been besieged for six months by Serb fight-

In northern Bosnia, Serb commanders said they had reopened the land corridor for traffic between Serbia and Bosnia's Serb-held territories amid heavy fighting.

However, in a conflicting report, Croatian radio claimed Croat forces had blocked the corridor west of Brcko, in north-eastern Bosnia. It reported artillery and infantry clashes between Serb and Bosnian fighters near Maglaj and Doboj south-west of Brcko.

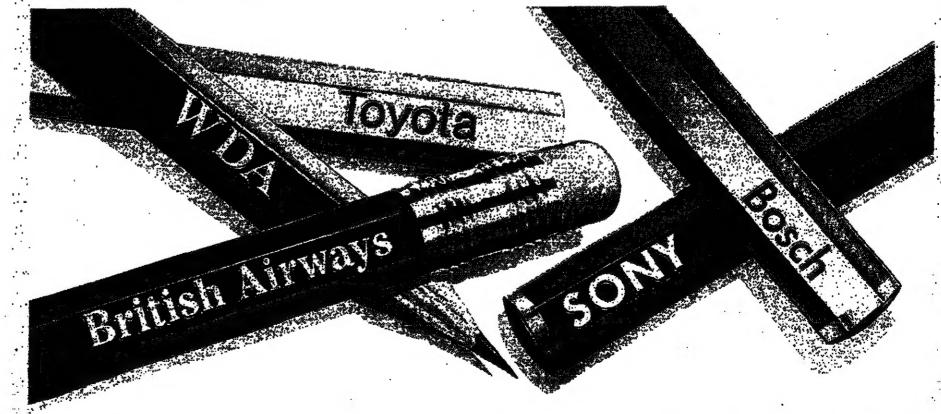
Serb forces currently control some 70 per cent of Bosnia. They have driven hundreds of thousands of Moslems and Croats from their homes in an effort to create ethnically pure regions.

Three western reporters yesterday visited villages around Kotor Varos, 20 miles from Banja Luka, the Bosnian Serb military headquarters in the north-west, where hundreds of homes had been razed.

Serb authorities deny they are carring out "ethnic cleansing" but the reporters saw evidence supporting United Nations claims that some 200,000 Moslems and Croats in northern Bosnia are at immediate risk of being driven from



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Korea's perennial opposition leader boosted by DLP split

THE presidential hopes of Mr Kim Dae-jung, South Korea's perennial opposition leader. have suddenly improved as the rul-ing Democratic Liberal Party (DLP)

appears to be splitting apart.

The crisis in the DLP reached a critical point over the weekend with the resignation of Mr Park Tae-joon. head of the party's majority faction. The departure of Mr Park, who also resigned last week as chairman

of the state-affiliated Posco steel company, is likely to trigger the exodus of other important DLP figures who could establish a new conservative political party.

That would damage the chances of Mr Kim Young-sam, the DLP nominee and current leader in the presidential election, expected in mid-December. State television said yesterday that Mr Kim would announce that he was resigning as a member of parliament today to devote himself to the presidential

Analysts said that by quitting parliament he was hoping to heal



Kim Young-sam: to quit as MP

the rifts in his party. Conservative support for Mr Kim has already been eroded by the candidacy of Mr Chung Ju-yung, the founder of the South Korean conglomerate Hyundai who formed the United People's Party (UPP) earlier

By contrast, Mr Kim Daejung's

Kim Dae-jung looks set to gain as leading figures quit a ruling party always dogged by division, writes John Burton

the DLP nomination in May. But his recent actions have alien-

the majority faction in the DLP.

Critics have accused Mr Kim of

becoming arrogant and pushy, plac-ing his supporters in the top DLP

positions in spite of his minority

status within the party.

Mr Kim also angered Mr Roh last month by pressing him to appoint a new cabinet as part of an effort to

improve his chances before the elec-

gations of government vote-rigging in the parliamentary election last

Mr Kim was concerned that alle-

support, which mainly consists of working and middle-class voters in Seoul and his home base in the rural south-western Cholla region, remains firm. He is now running a close second behind Mr Kim Young-

The DLP has been an uneasy political alliance since its creation in 1990 as a result of a merger of President Roh Tae-woo's Democratic Justice Party with two opposition parties, including Mr Kim Young-sam's Reunification Democratic Party.

Mr Kim agreed to join the govern-ment and give it a majority of parliamentary seats in return for a promise that he would receive the DLP presidential nomination this year. The constitution bans Mr Roh from standing for president again. Mr Kim, who stood as an opposi-tion presidential candidate in the

March might tarnish his image and he wanted a neutral caretaker cabinet to supervise the forthcoming

While agreeing to a cabinet reshuf-fle, Mr Roh also resigned from the DLP in the name of electoral "fairlast election in 1987, duly received ness". Mr Roh's move was interated Mr Roh and his supporters, including Mr Park, who constitute preted as a withdrawal of his support for Mr Kim.

This intensified factional squabbling within the DLP, culminating in Park's departure over the week-

Mr Park may join a nascent political party being formed by Mr Lee Jong-chan, a popular Seoul MP who unsuccessfully stood against Mr Kim in the DLP presidential convention in May. Mr Park has discouraged specula-

tion that he would be the presidential candidate for the new political group. Instead, the nomination may be offered to Mr Kang Young-hoon, prime minister between 1988 and 1990 and now head of the South



Kim Dae-Jung: support firm

But there are doubts whether the new party can be organised in time for the election. This has prompted proposals that Mr Park and the other dissatisfied DLP members might merge their forces with Mr Chung and the UPP, which is a well-financed and established organ-isation with 31 seats in the 299Co-operation between Mr Chung and Mr Park would bring together two of South Korea's most prominent industrialists and establish a precedent for business playing an independent role in Korean politics.
Korean companies have traditionally accepted a subservient position to the government, financially supporting the ruling party in return for political favours. p 'g(

Mr Chung broke that tradition by challenging the government with the formation of the UPP. The political revolt staged by Mr Park confirms that the nation's businessmen are aggressively seeking a more

equal partnership with government.

Mr Park has reportedly met with

Mr Chung at least three times recently to discuss a political alliance. But the former Posco chairman wants Mr Chung, who is now a distant third in the opinion polls, to step down in favour of another candidate. Mr Chung so far appears determined to remain the UPP can-

Pik Botha tries to calm Savimbi

By Julian Ozanne in Luanda

MR PIK BOTHA, South Africa's foreign minister, arrived in Angola yesterday to join efforts to try to save the war-shattered country's fragile

peace process. Mr Botha's arrival came amid signs that the international community, led by the United Nations, is increasingly unable to keep a lid on tension between the government and Unita, the former South Afri-can and US-backed rabel move-

Talks with Inkatha soon, says

By Patti Waldmeir in Cape Town

de Klerk

SOUTH AFRICAN government officials will meet the mainly Zulu Inkatha Freedom party within a fortnight, President P.W. de Klerk, said yesterday. This removes one of the most serious obstacles to resuming multiparty talks on a new con-

Delivering a "state of the nation" address to a special session of parliament, he stressed his determination to proceed with constitutional negotiations with the African National Congress and other parties, including Inkatha which suspended talks with the government two weeks

He lashed out, however, at the ANC shortly after thousands of its protesters surrounded the parliament building. He demanded that the organisation scale down its campaign of mass action which he blames for exacerbating political violence in the coun-

The ANC demonstration, called to protest at the continued exclusion of blacks from parliament and at government plans to amnesty police and army officers, was much smaller than expected. Only about 5,000 took part; organisers had expected 25,000.

The crowd, which formed a human chain around the parliament building, were addressed by ANC leaders who condemned government plans to introduce legislation in par-liament within the next 10 days to amnesty security force officers who committed crimes under apartheid.

Mr de Klerk outlined principles on which he demanded agreement before an interim constitution could be agreed. including devolution of power to regional and local governments, multi-party power sharing at the executive level of government, and a bicameral legislature to protect special interests. The ANC and government positions on all of these issues remain sharply at

Western observers hope that Pretoria, which backed Unita's guerrilla war with South African troops and weapons between 1975 and 1990, may be able to exert some influence on Mr Jonas Savimbi, the hardline, egotistical rebel chief. They say that the key to Angola's future depends on what Mr

Unita has alleged fraud in the country's first democratic elections last month and has made veiled threats to return

Savimbi really wants - a ques-

tion no-one seems able to

the country to civil war. The elections were won by the MPLA government and President José Eduardo dos Santos. Yesterday Mr Elias Salupeto

Pena, one of the most senior Unita officials, warned that if the government published offielection results, expected today, it would amount to a declaration of war. He demanded that the elections be

An investigation of Unita's allegations of fraud is nearing completion but officials say they have found evidence only

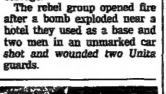
of incompetence. Many observers believe Mr Savimbi is using the fraud allegations either as a bargaining position to get a transitional government of national unity in his favour or as a pretext to buy time and prepare a military strategy which would almost certainly

split the huge country.

Mr Botha said yesterday that no-one could create miracles but he had come to listen to both sides to try and find common ground between in the interests of peace and economic co-operation in the

Mr Botha, who will meet both President dos Santos and Mr Savimbi today, arrived 24 hours after shooting in Luanda left at least four people dead. Unita soldiers pounded an area of downtown Luanda with machine-gun fire, mortar shells and grenades in a half-hour

The rebel group opened fire after a bomb exploded near a





OVER 241 DIE AS EARTHQUAKE ROCKS EGYPTIAN CAPITAL

Men sift through the debris of their Cairo shop yesterday as a strong earthquake rocked the Egyptian capital. Cairo television broadcast an urgent appeal for doctors after collapsing buildings left at least 241 people dead and 2,000 injured, Tony reported the tremor at around 5.9 on the

Walker reports from Cairo. The earthquake, which struck soon after 4pm local time, was Cairo's most severe earth tremor for more than 30 years. Experts at the US Geological Survey

Richter scale - strong enough to damage a city extensively.

Reuters news agency quoted a fire brigade chief as saying that many decaying buildings in Calro's densely populated poorer areas had collapsed.

action plan for Somalia

By Frances Williams

THE United Nations yesterday presented to donor nations a 100-day action plan for Somalia intended to strengthen UN relief operations in the war and famine-ravaged country. This follows strong criticism that the UN aid effort has been

feeble and badly co-ordinated. Mr Mohamed Sahnoun, UN special representative for Somalia, said at least 300,000 Somalis, mostly children, might have died over the past 18 months "whilst the UN and (most of) the international community . . . watched Soma-lia descend into this hell".

The UN said almost Im Somalis were on the brink of death from starvation and disease, and millions more might die if urgent assistance was

not forthcoming.

It is appealing for \$82,7m to implement its plan for a massive infusion of food aid, alongside provision of shelter materials and medical supplies, a mass measles immunisation campaign and the start of a longer-term programme of recovery and rehabilitation, including delivery of seeds and tools.

Baroness Chalker, Britain's overseas aid minister, yesterday urged Mr Sahnoun to make security his top priority. "We have a duty to the starving to make clear to those who are using violence to frustrate the relief effort that the international community will no longer stand by and see the poor and sick held to rensom," she said.

The precarious security in Somalia, which has led to widespread looting of food supplies, preoccupied delegates on the first day of the two-day donors' meeting.

UN forms Britain gets tough over Iraqi jailings Mr David Gore-Booth, deputy

By Robert Mauthner, Diplomatic Editor

BRITAIN yesterday summoned Iraq's senior diplomat in London to demand the release of two Britons detained in Baghdad, following charges that the US administration had acted much more robustly to free an American citizen held by

The two Britons, Mr Paul Ride and Mr Michael Wainwright, are serving long jail sentences after being convicted of entering the country ille-gally. Mr Chad Hall, the American citizen freed by the Iraqi authorities at the weekend after being held for only two days, was detained on a similar charge of illegal entry.

Britain has been doing too little to secure their release. Although British-Iraqi diplo matic relations were broken off at the beginning of the Gulf war last year, an Iraqi interest section in the Jordanian embassy in London is looking after Beghdad's affairs.

under-secretary at the Foreign

Office, was "extremely tough"

in demanding a response from the Iraqis to "repeated requests" to release the two Britons. His meeting with Mr

Zuhair Ibrahim lasted a bare

The Foreign Office has

clearly been stung into action

by complaints of the families of

the two imprisoned men and

opposition politicians that

five minutes.

Israel starts review of prison conditions

By Hugh Carnegy

THE Israeli authorities will today launch a review of conditions in jails holding Palestinian prisoners in an attempt to defuse violent protests in the occupied West Bank and Gaza Strip which officials fear could disrupt Middle East peace

Palestinian representatives said yesterday most prisoners had suspended the two-weekold hunger strike which prompted the unrest pending the outcome of the prison review. However, some of the 12,000 prisoners were continu-ing to refuse food and others would resume the fast if the review did not produce an improvement in conditions.

The Israeli government was alarmed by the way the hunger strike provoked a surge of violent demonstrations not seen

Dr Mahathir's National

Front government is domi-

since the first years of the inti-fada, or Palestinian uprising against Israeli rule.

Members of the hardline opposition Likud party strongly criticised the prison review as capitulation to vio-

But Mr Yitzhak Rabin, the prime minister, is anxious to resolve the issue before negotiations resume in Washington next week. Palestinian negotiators would find it almost impossible to continue the talks in the midst of serious unrest at home.

Yesterday more than 30 people were injured, in clashes with security forces in the Gaza refugee camp of Khan

Younis, and elsewhere • Israeli troops shot dead two young men who crossed the heavily patrolled border from Jordan early yesterday. They were found with "knives and clubs", officials said.

Spotlight on Johannesburg illegal share dealings

Ex-securities firm chief faces R10m fraud charges

By Philip Gawith in

THE extent of illegal share dealings on the Johannesburg Stock Exchange (JSE) comes under the spotlight today in the Rand Supreme Court with the start of one of the most widely publicised securities cases in years.

Mr Greg Blank, then a director of one of the largest firms on the JSE, Frankel Max Pollak Vinderine (Frankels), is being charged with 49 counts of fraud, allegedly involving an illegal gain of about R10m (\$3.6m). There is no precedent in South Africa for a JSE member being charged for irregular dealings on such a large scale.

Lack of convictions for securities offences in the past has led to speculation, fiercely denied by the JSE authorities, that illegal trading is wide-

They will be hoping that, should Mr Blank be found guilty, a stiff sentence will be handed down which will help dispel suspicions about the JSE, justified or not.

Mr Blank's conspicuously wealthy lifestyle has also focused attention on the case, as has the fact that his alleged accomplices occupied senior positions at the Old Mutual, South Africa's largest insurance company. Mr Blank was the person responsible for Old Mutual's dealings with Fran-

The bulk of the charges relate to the practice known as "front-running". It is alleged that, between 1989 and 1991, Mr Blank, in collaboration with his three accomplices at the Oid Mutual - two portfolio managers and the chief trader bought numerous lines of stock for the account of a com-

beneficiaries.
Once a sufficient quantity of the particular share had been accumulated, and the share had reached a particular price, it would be sold to the Old Mutual, normally within two to four weeks. The profit from these sales, allegedly, accrued to the syndicate.

en en la companya de la comp

pany in which they were joint

hours to fly from mainland Malaysia to Sabah in the far north of the island of Borneo, almost as long as the flight from Kuala Lumpur to Hong Kong. Sabah is the most far-flung

state in the Malaysian Federation and has always had a large degree of independence from the federal government authorities in Kuala Lumpur. But trouble is brewing in what the early explorers called "The Land Below the Wind". The government of Dr Mahathir Mohamad, the Malay-

take Sabah out of the Malaysian federation.
Several people, including the brother of Sabah's chief minister, have been locked up. The ing petty corruption charges brought by the Malaysian pub-

lic prosecutor.

sian prime minister, accuses

Sabah's leaders of plotting to

The origins of the present stand-off between Kuala Lum-pur and the authorities in Kota Kinabalu, the capital of Sabah, go back to the last Malaysian national elections in late 1990. A few days before polling the ruling Parti Bersatu Sabah (PBS) in Sabah decided to pull out of Dr Mahathir's National

Front government.
"We felt the opposition offered more to Sabah than the National Front," says Mr Joseph Pairin Kitingan, leader of the PBS and Sabah's chief minister. The opposition also looked at the time as if it would win. In the event Dr Mahathir's National Front government was returned to power, though the PBS

T takes two-and-a-half retained its control in Sabah. Since that election relations between Kuala Lumpur and flict between Kuala Lumpur

Kota Kinabalu have gone from had to worse. "These people," says Dr Mahathir of Mr Pairin and the PBS, "have no principle, or any commitment at all."

nated by the United Malays National Organisation The PBS says Kuala Lumpur (UMNO), the main party of the has cut off much needed devel-Moslem Malays. Sabah has a opment funding. While much of the rest of the Malaysia is population of only 1.7m. More



Sabah tries to flex its muscles

Kieran Cooke looks at the worsening stand-off with Kuala Lumpur

and Sabah.

fast industrialising, Sabah is stagnating.
"I feel," says Mr Palrin, "like a man under siege." Mr Pairin insists the PBS has no wish to take Sabah out of the Malaysian Federation, nor does he seek a confrontation with Dr Mahathir,

We want good relations with the federal government, says Mr Pairin, "but Kuala Lumpur has a responsibility to develop the country as a whole - it should not matter whether the PBS is in power in

many hundreds of thousands of immigrants from the Philip-pines and Indonesia make it one of the world's more colourful cultural crossroads.

Whereas politics on the Malay peninsula has tended to be split down racial and religious lines, Sabah has a more pluralistic political tradition. While Sabah was a member

of the National Front government, Kuala Lumpur left its politicians alone. But now UMNO is using its considerable financial resources to organise in Sabah. The PBS, many of

Race and religion as well as politics are involved in the con-Christians, says UMNO is recruiting Moslem immigrants into its ranks. It says UMNO's arrival in Sabah is divisive and threatens the state's racial and

religious harmony. Mrs Dayang Mahani, a native of Sabah and an UMNO supporter, disagrees. "The PBS has caused the disharmony. We need UMNO here so as to restore relations with the federal government and make. sure Sabah shares in Malay-

sia's economic progress."

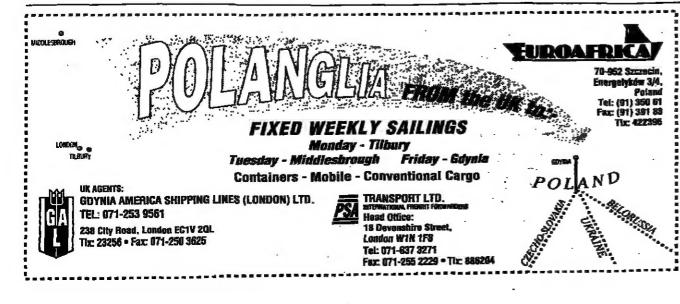
Local businesspeople are also concerned that the state is falling behind the rest of the country. Sabah, with its abundance of natural resources including timber and off-shore oil deposits, was once one of the richest states in the Malaysian federation. Now it is one of the poorest. Power costs twice as much in Sabah as it does in penin-Sular Malaysia. The PBS accuses the federal

authorities of doing nothing to encourage foreign investors into Sabah while the big domestic concerns - many of whom have connections with the governing political parties will not risk official disfevour by investing in the state. There were many in Sabah who objected to the state joining the rest of Malaysia nearly

30 years ago. Over the intervening period both Indonesia and the Philippines have launched claims to the state.

Now Dr Mahathir is determined once and for all to claim Sabah for his UMNO party. "The Land Below the Wind" will be buffeted by some strong political storms over the comAN COUNTY WAS COMPANY

Salar Salar Baran State 1064



urged to resign over gang links

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NUTLINE.

THE disgraced "godfather" of the ruling Liberal Democratic mentary seat. Party, Mr Shin Kanemaru, was yesterday urged to resign from parliament by a senior member of his own party, Mr Taku Yamasaki, the construction

The call was ignored by Mr Kanemaru, leader of the LDP's largest faction and centre of a controversy over his violation of a political funds law and his links to gangsters.
Mr Kanemaru was recently

fined Y200,000 (£935) for illegally receiving Y500m in donations from a parcel delivery company. Mr Yamasaki, a member of a

separate LDP faction, said Mr Kanemaru must resign because the gang links had undermined his reputation. The "godfather" is said to have used those links in an attempt to persuade extreme-right wing groups to stop protesting against LDP

leaders in recent years.

Mr Yamasaki was criticised by other government officials for publicly urging the resignation, but the affair reflects continuing tension in the LDP over sustained public criticism of Mr Kanemaru. Heads of four business organisations, includ-

By Robert Thomson in Tokyo Organisations (Keidanren). have also demanded that Mr Kanemaru give up his parlia-

Mr Kanemaru has been confident that he can ride out the criticism, but the controversy has forced him to keep a low profile. Public prosecutors. who announced that their investigation into illegal donations to politicians was over, have felt a need to respond to the continuing protests.

They said yesterday that investigations into the Y500m in donations may be re-opened, raising the possibility that some of the 60 politicians who later received a share of the money could be questioned.

Meanwhile, Mr Kanemaru's faction has settled a few of its internal differences by announcing a new structure in which some power is transferred to groups opposed to Mr Kanemaru's chosen successor, Mr Ichiro Ozawa.

The appointment of two new deputy chairmen within the faction is likely to lessen the influence of Mr Ozawa, one of the more outward-looking of Japan's leading politicians. The new power-sharing arrangement could weaken the ability of the faction and the LDP to decide on new policies,

LDP 'godfather' Island row halts Iranian hands of friendship

The dispute over sovereignty of Abu Musa has poisoned relations in the Gulf, writes Cherry Mosteshar

HE DISPUTE between fran and the United Arab Emirates (UAE) over control of the small Gulf island of Abu Musa has shaken the region's recent calm and handed an unexpected victory to hardliners opposed to the policies of Mr Ali Akbar Hashemi Rafsanjani. Iran's presi-

Three years of policies aimed at improving Iran's relations with its Arab neighbours have been undone in less than a - and hardliners, ousted from power in the May elections to the country's assembly, are saying "we told

YOU SO".

eignty over the island, in the south-eastern Gulf, has also raised wider antipathies. Iran's old opponents in the region, such as Egypt, as well as some it has acquired more recently, most significantly Algeria, have come out in support of the claims of Sharjah, one of the seven city states which

Both the Guif Co-operation Council (Saudi Arabia, the UAE, Oman, Kuwait, Bahrain and Qatar) and the 21-member Arab League have condemned Iranian "aggression" over Abu

make up the United Arab Emirates, to the island.

Two months ago Iran was set to restore diplomatic ties with Egypt. But Iranian hardliners are claiming that a recent

By Michiyo Nakamoto

the Egyptian foreign minister, that the Arab countries must not give in to Iran, proves they were right to warn against the liaison. Iran and Sharjah agreed to share the island under an agreement signed in 1971 which gave Iran control over security and permitted an franian garrison on the island, while giving Sharjah sovereignty. The dispute now centres on claims that Iran is using its control of security to take over sovereignty.

Abu Musa and the flanking islands of Lesser and Greater Tumb, also under Iranian control but disputed by the UAE, form a strategically vital triangle at the mouth of the Straights of Hormuz at the entry of the Gulf.

Despite President Rafsanjani's protestations in mid-September that his government's "hands are ready to press hands of co-operation and friendship in the region", Tebran appears to be using the Abu Musa dispute to show the GCC there can be no security in the region without Iran.

Iran has, in particular, been aggrieved that the attempts by the GCC states, Egypt and Syria, to forge a regional defence structure out of the post Gulf war Damascus Declaration, little though they have so far come to, have been made without attempts formally to include Tehran.

Tensions over the island saying that "Iran has no alter-have been growing for eight saying that "Iran has no alter-have been growing for eight native but to leave the three ing to his Arab neighbours. Mr negotiators talked of peace in to be round one in the process.



President Rafsanjani: hardliners have won a victory against his policies of co-operation in the Gulf

allow a boat carrying Sharjah nationals to land at Abu Musa. Saalam, a daily newspaper which reflects the views of the Iranian hardliners, has called for a reduction in the level of the Iranian mission in Abu

Dhabi and restrictions on trade

with "the sheikhdoms support-

ing hostile policies". A report last week by AFP. the French news agency, quoting diplomats in the UAE as

months, since Iran refused to Islands," provoked Iranian officials to break with the reconciliatory tones adopted. Mr Khamel Kharazi, Iran's representative to the UN, and Mr Morteza Sarmadi, the foreign office spokesman, both claimed that all three islands belonged to Iran.

> Mr Javan Larijani, a senior foreign policy official and of the Supreme National Security Council, then used last week's Friday

Larijani, said policies adopted by the Arab Gulf states would lead them to "destruction". He said: "Experience has proved that Islamic Iran will not allow aggression against its territo-rial integrity."

He also discounted claims by

the UAE to have an historic right to the islands, saying that few of the present Gulf states existed 70 years ago, while Iran has a history of more than 2,500 years.

Abu Dhabi, where the two sides met inconclusively late last month to seek a solution to the row, several Iranian military chiefs have been using more belligerent tones. Mr Mohsen Rezai, commander of the Revolutionary Guard, last week told his troops that if diplomatic means failed "we are ready to protect our territory". General Satari, bead of the Iranian air force, said that if any aircraft took off against Iran, his men would be ready to defend Iran's soil.

But Iran's newly assertive policy over Abu Musa is also thought to reflect domestic pressures in the country. A political analyst in Tehran explained: "Iran is having trou-ble in her economic policies. This is already putting pressure on the government. The government therefore cannot afford to give up an inch of what the people see as Iranian land. It could have a devastat-

ing effect internally. What is certain in all the confusion, is that Iran will not move on the territorial issue. Lose now and the country fears condemning itself to the second tier in the power structures of the region. More than friends, more than trade deals and more than international goodwill. Iran believes it must re-establish itself as a power to be reckoned with in the Guif. the Middle East and the Moslem world. Abu Musa appears

ing the Federation of Economic both domestic and foreign. Individual payment defaults rise 63%

JAPAN'S banks yesterday reported a sharp increase in individual payment defaults, with 171.613 cases in the first eight months, up 63 per cent on the same period last year, writes Robert Thomson.

The figures are generally interpreted as an indicator of personal bankruptcies, and the rise this year continues a trend begun in 1989, when the number of cases rose 29 per cent. In 1990, after the collapse of stock

prices, cases rose 54 per cent. Associations of Japan said the increase this year was linked

to the continuing weakness of

stock prices and a rise in credit card delinquency. Individual Japanese are generally thought to have weathered successfully the economic downturn, but the banks say rates of borrowing compared with net income have increased sharply, while overtime earnings have fallen.

A continuing surge in individual bankruptcies suggests consumers are more burdened by debt than the Economic Plenning Agency has reckoned, and are less able to lead an economic recovery.

manufacturers throughout Europe have been under intense pressure as THE small French town of Fameck recession has slashed demand and

near the Luxembourg border recently became the site of Europe's third prices have fallen. "The market is basically flat in Europe," says a representative at South Korean television manufacturing plant when Daewoo Electronics. Philips, the largest manufacturer in Europe, which dominates the market the electronics subsidiary of South together with Grundig, the German Korea's Daewoo Group, opened its mufacturer in which it owns a con-Samsung started TV production for troiling stake.

Television sales in Europe declined the European market in Billingham 2 per cent from 22.5m units in 1990 to on Teesside a few months ago and Coldstar has opened a factory in Ger-22.1m units last year, while in terms of sales value the drop was greater at The added capacity to European TV 6 per cent from Ecu8.49bn (\$11.88bn) production comes at a time when the to Ecu7.99bn.

The television division of Grundig. European industry is experiencing some of the most difficult trading conwhich has a strong base in Germany, ditions in recent history. Television is expected to be one of the most

its overall workforce by 3,000. It has aiready closed a TV factory in Barce-

South Korean TV makers take a bold grip on Europe

Ferguson, which is owned by Thomson Consumer Electronics, close television factory in the UK last autumn. Philips introduced short-time working in the first half of this year, although its plants are back to capacity now. Nokia, the Finnish group, expects to ship just 1m television sets

out of a total capacity of up to 2m. The Japanese manufacturers which set up in the UK have also been hurt. Panasonic, which has a television manufacturing plant in Wales with a capacity of 1.2m units a year, announced last month that it was moving to a four-day working week.

Unruffled by the climate in Europe, South Korean manufacturers have steadily built up a presence with Samsung claiming brand leadership in the 20-inch colour television market in the UK. "Our strategy is to develop a local business," says Mr Matthew

sung in the UK. Mr Chan Jong Lee, deouty general manager for electronics at Daewoo, echoes his sentiments. "In order to sell in local markets it is better to manufacture locally. We are doing this with the European people," he

Simmons, marketing manager at Sam-

Both Dsewoo's new factory, which will be producing sets ranging from 14 to 33 inches, and Samsung's factory in the UK, have a manufacturing capacity of 500,000 sets each. Compared with the European market of over 20m units sold in a year, that may be a "pin prick" as one of the leading European manufacturers said. The European manufacturers also enjoy strong brand loyalty in markets such as Germany and France.

However, the South Korean pres-ence in Europe will doubtless intensify competition in a market where European manufacturers are already feeling the heat from Japanese manufacturers.

"In terms of brand share development, the overall positioning of European manufacturers has slightly decreased over recent years," according to BIS Strategic Decisions, the market consultants.

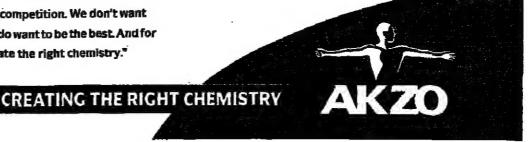


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a better job than the competition. We don't want to be the biggest. We do want to be the best. And for that, you have to create the right chemistry."

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new markets. But only if we're pretty sure we can do



US and EC fail to break Gatt deadlock

By Lionel Barber, David Gardner and David Dodwell in

US and EC negotiations to break a 20-month deadlock in the Uruguay Round of trade reform talks stalled last night in Brussels amid intensive lobbying by French and US farm

organisations. Both sides claimed in a joint statement that "it was good progress and "we narrowed the gap" particularly on the most contentious issue of subsidised.

Meetings on technical details continued last night but the

time being. Mrs Carla Hills, the US trade representative, and Mr Frans Andriessen, the EC external affairs commissioner, are to meet at the weekend in Toronto in the margins of the "Quad" summit of ministers from the US, EC, Canada and

Mr Ray MacSharry, the EC farm commissioner, and Mr Ed Madigan, the US agriculture secretary, also plan to meet as soon as the technical work by officials on various scenarios for cutting back the value and volume of subsidised farm exports is completed. The failure to achieve a

breakthrough at Brussels comes as a disappointment after expectations had been raised over the past week. Because of the impending US presidential election, the talks had been seen as the last chance this year to reach a settlement in the Gatt round. French farmers stand to lose

nity accepts US demands for substantial cuts in subsidised exports volumes. Mr Jacques Delors, European Commission president, has warned of the danger of a political backlash in France. Last week, he said Paris might boycott meetings of the Council of Ministers.



So close together yet so far apart

By David Gardner in Brussels

"THERE have near-misses on this than Bosnian ceasefires," a senior US diplomat observed recently. He wondered how it was that while the EC

and US share an interest in concluding Gatt's Uruguay Round world trade talks and are seemingly near in their positions, they are still separated by what each sees as vital national interests.

On subsidies to farmers, which has held up agreement since the Uruguay Round summit collapsed in Brussels in December 1990, the US, EC and other leading agri-exporters are trying to position themselves in export markets, espe-cially cereals. France threatened to pull out of next Friday's EC summit in Birmingham if the latest EC-US talks in Brussels gave away to the US too much of its food exporting "vocation". As the EC's agricultural

superpower, France has concentrated its attack on a Gatt provision to cut subsidised food exports 24 per cent on all products. This would be a blow to its wheat trade, the most sensitive commodity for the US alongside soya beans, on which it is conducting a parallel row with the EC. The need to cut subsidised exports, contained in the Round's "final act" which Gatt drew up last December, is separate to, and on top of, a 36 per cent cut in money paid out on export sub-sidies. At July's Group of proposed export volume be cut by 21, not 24 per cent. Mr Ray MacSharry, EC agriculture commissioner, has pushed for "aggregation" or flexibility in farm sectors. This way the EC could export more wheat, for instance, if it sold

less barley abroad, provided overall cuts in grain exports reached the target. The full 24 per cent cut, if it contains this flexibility, is a much better deal for the EC than a far lower cut without it. The US knows this, and that the reform of the EC's Com-mon Agricultural Policy (CAP),

agreed in May, will cut European wheat prices to near world market levels. The real difference between the two sides on export volume is about competition, and French wheat is very competitive. If May's CAP reform had cut guaranteed prices a bit further, been scrapped well within the

life of any Round agreement, and the US would have been hard pressed to seek restraints on EC exporters. France would have been the main beneficiary from a slightly bigger cut.

The second big difference to be resolved is for how long EC

compensation payments to farmers for the CAP reform price cuts will be exempt from reductions prescribed by Gatt. Mr MacSharry wants indefinite exemption, because the payments are compensation for price cuts and production cuts. The IIS if the cuts in output are formalised, is ready to exempt the payments for only six years. It was thought Mr MacSharry might relent if the point was established that if these payments do cut output and reduce trade tensions, they should be exempt in the next round of cuts.

• MacSharry (right): flexible

Airbus scales back output growth rates

AIRBUS Industrie is scaling back its output growth rates for the next three years in response to the continued depressed state of the civil airline market. The consortium is expected to delay the launch of a new 125-seater airliner, the A319, a shortened derivative of the 150 seater A320 aircraft, until later next year.

Airbus output will grow from 161 airliners this year to 180 aircraft in 1995 against an earlier target of 220 for 1995. Production will average 14.5 airliners a month next year, up from about 16 a month in 1994, with a further increase expected in 1995, but lower than the original plan to build 21-22 aircraft a month then. An Airbus official stressed the latest revision was not a production cut, but a reduction in estimated output growth rate. The latest cuts are the third downward revision in A320 production schedules.

Airbus has sought to play down production cuts in an effort not to undermine market confidence. It constantly monitors the market and adapts its production schedules accordingly. Like other manufacturers, Airbus has been forced to modify its schedules to meet demands from financiallypressed customers to postpone

Boeing has cut output of its 737 twin-engine aircraft from 21 to 14 a month this autumn and has announced plans to reduce 757 production from seven to 8.5 airliners a month from September 1993. The latest cuts in Airbus production rates were announced on the eve of the roll-out of the consortium's latest widebody, the A330 twin-engine airliner, in Toulouse tomorrow, expected to be a low-key event, reflecting the general state of the airliner market.

Airbus, whose partners include Aérospatiale of France (37.9 per cent), Deutsche Aerospace of Germany (37.9 per cent), British Aerospace (20 per cent) and Casa of Spain (4.2 per cent), said the latest plans envisaged a minimum production of A300/A310 widebodies of 30 a year during 1993-95. A300/ A310 output this year is expected to total 47 aircraft.

Output of A320/A321 narrow body airliners will average 80-90 a year during 1993-95. Production of the new A330/A340 family is expected to increase gradually from the present two airliners a month to seven a month by the end of 1995. Airbus had planned to launch the A319, the shortened version of the A320 this year, But the programme is unlikely to take shape until next year.

Two months' work needed Services add to the impasse

By Frances Williams in Geneva

IF the US and EC eventually reach an accord, at least two months' work will be required by negotiators in Geneva before the 108-nation Uruguay Round can be completed. Other outstanding issues include: Agriculture: Japan and South Korea want to maintain their rice import bans. They, and some other countries with supply man-

agement systems, oppose draft proposals

for minimum market access and conversion of all import restrictions to tariffs. ■ Market access: An EC/US deal would set the framework for other country-by-country talks. But any accord on zero-tariff sectors would have to be agreed with others and there would have to be bliateral talks on products not covered by the US/EC bargain. Poor nations want better access for textiles and tropical products in rich-country

■ Intellectual property: Even if the copyright tilateral disputes procedure.

wrangie between the US and EC is settled in Brussels, Washington will still be pushing for changes to the draft intellectual property agreement to give greater protection for pharmaceutical patents in developing coun-

Services: The US and EC are not satisfied with offers from many developing countries to liberalise their services sectors, especlaily in financial services. The US wants better offers on basic telecommunications from almost all trading partners.

Multilateral Trade Organisation: Negotiators are under pressure from environmental groups to make the MTO "greener" and are still wrangling over details of this proposed umbrella body for Gatt and the new agreements on services and intellectual property. ■ Dispute settlement Many developing countries want a formal commitment from the US not to use its powers of unilateral retaliation in return for a strengthened mul-

Before booking your

flight, always check the flight details.

By David Dodwell in Brussels

THE decision of US and EC negotiators to embrace disputes over trade in services and on market access in their meetings over the past two days in Brussels may have demonstrated earnestness of intent, but may have added to the problems of breaking the

Uruguay Round deadlock. Little progress has been made in settling disputes on services and market access, largely because Geneva-based negotiators have been unwilling to budge until the US and EC reveal their hands on farm trade. For many developing countries, concessions from the US and the EC on farm trade are essential before they

table any offers.

vicious circle has developed as the US has in turn refused to table its own position without offers from the EC and developing countries.

A storm blew up when the US threatened to withdraw telecommunications, financial services and transport, especially maritime services, from any offer it might make on services trade. Since these were for many countries the only services areas of interest in the US market, the motive for continuing serious talks evapo-

For the EC, a critical US concession on services would be a willingness to re-table telecommunications, financial services and maritime services. It is

on financial services have been discussed, but headway on maritime services has been seen as unlikely.

Telecommunications concessions are unlikely until the EC can agree terms for liberalising its internal market. On market access, the EC is urging the US to attack its peak tariffs, espe-cially in textiles, chemical dysstuffs, and ceramics. The US wants the EC to agree to scrap some tariffs that are already low, and harmonise downwards tariffs on chemicals, non-ferrous metals and fisheries. Progress here is hampered less by EC-US differences than by awareness that mutual concessions need to be matched by other countries.

Algerians sign gas deal with Italy

By Francis Ghilès

SONATRACH, Algeria's state oll and gas monopoly, has signed a 20-year contract with the Italian state electricity company ENEI. whereby Sona-trach will deliver 4bn cubic metres of gas a year starting in 1995. The gas will go through the trans-Mediterranean pipeline which takes gas to the Italian mainland through Tunisia and the Straits of Sicily, and whose capacity is being doubled.

trach will more than double its exports to Italy by the year 2000, to 30hn cubic metres a year. Mr Franco Viezzoli, president of ENEL, has signalled his company's wish to start immediate talks on doubling the amount it has contracted to buy. Gas now accounts for about 19 per cent of Italy's electricity, a figure set to rise 50 per cent by the year 2000. The contract with ENEL

The contract means Sona-

underlines the advantages for Sonatrach of the more flexible oil and gas policy adopted by Algeria since 1988. Selling gas for electricity generation is a competitive business if compared with the more rigid liquefied natural gas trade.

Sonatrach hopes to double its gas output over the next few years as demand abroad has outstripped the company's capacity to deliver. Mr Hacen Mufti, Algeria's energy minis-ter, has indicated Algeria will allow oil companies negotiating for enhanced oilfield recovery schemes the option of acquiring equity sharing in some ollfields.

Premier Belaid Abdesselam appears to attach less importance than his predecessor, Mr Sid Ahmed Ghozali, to getting large front-end cash bonuses from companies sharing in such schemes, preferring to stress the importance of developing proper technical models to develop the fields.

tion and management.

sures, including ground han-

dling as well as in-flight ser-vice, European productivity

was only 72 per cent of US lev-

els. The gap was smallest in airport handling and widest in

ticketing, sales and promotion.

Though part of the US air-lines' advantage reflected supe-rior scale, geographic route structures and the mix of ser-vices demanded by the market,

the biggest reason for their

higher performance was effi-

that the "hub-and-spoke" route

structure favoured by large

airlines since

industry was deregulated

However, the study found

cient organisation of labour.

tries. These are:

SINGAPORE Airlines (SIA) is

By Daniel Green in Singapore

considering transferring accountancy and computer departments to India to cut labour costs. The move would echo Swissair's shifting its accounts department to Bombay this year; SIA and Swissair have 5 per cent stakes in each other as part of a triple alliance with the US carrier Delta. SIA is studying Swissair's experience and said yesterday problems such as software

compatibility had to be overcome. Other low-cost countries including China were possible sites, especially for data pro-cessing, SIA said.

The airline is also facing still several years away from rising staff costs because of having all its co-pilots as Sing-Singapore's labour shortage. apore citizens.

Mr JY Pillay, chairman, said yesterday he did not expect resistance from the company's

The shortages are also forcing SIA to consider recruiting cabin crew from countries such as Malaysia and Indonesia.

"We plan 8-10 per cent annual growth a year until the end of the century," Mr Cheong Choong Kong, managing director, said. This would entail doubling the fleet and cabin

SIA is considering raising the salaries of female cabin crew. New female cabin crew recruits earn about S\$2,000 (£737) a month. SIA has set up a pilot training school, but is

Malaysia hits at Austria move on timber imports

SIA considers moving

departments to India

By Kieran Cooke in Singapore

COUNTRIES of the Association of South-East Asian Nations (Malaysia, Indonesia, Singapore, Thailand, the Philippines and Brunei) have expressed their concern about a recent move by Austria imposing mandatory labelling on all tropical timber imports.

Mr Sanusi Junid, Malaysia's agriculture minister, said the Austrian action went against the spirit and content of an agreement reached at the Earth Summit in Rio on the management, conservation and sustainable development of all types of forests.

Asean took a serious view of

the Austrian action, he added It had agreed to adopt a common stand on the issue, to dissuade other countries from making similar moves against tropical timber products. "We are of the opinion that if such action is to be imposed, it should also involve temperate

Malaysia, the world's leading exporter of tropical timber, has been at the forefront of a campaign aimed at countering concern about continued logging in the tropical rain forests. It says much of the developed world's criticism about forestry management in Malaysia and other countries is ill

Advantage greatest in airlines, banking and telecoms

US comes top in services output

By Guy de Jonquières, Consumer Industries Editor

THE productivity of many large service industries is still higher in the US than in other leading industrialised countries, a study* by McKinsey Global Institute, part of the management consultancy group, shows.

The study finds the US advantage is greatest in air-

lines, retail banking and telecommunications, where productivity is as much as twice the levels in other countries. The study estimates that, despite official claims that lib-

eralisation has made Britain's telecommunications industry more efficient, its total productivity was only 54 per cent of US levels in 1989 and also trailed Japan and France. However, Germany is close

to US productivity levels in retailing, while in full service restaurants France was the world leader. Productivity in fast-food restaurants varied little between countries. The study, based on a year-

long research project, concludes that many of the most important variations in productivity are due to differences in

national regulatory systems Services productivity and labour market policies. Total factor productivity in telecom industries, 1989 (%) highest in those countries where policy encouraged com-petition and labour market lexibility. Fewer gains were to

be achieved by applying advanced technology than by introducing efficient organisa-The study compares recent international productivity records in five service indus-Airlines: On a weighted average of six different mea-

reduced their productivity.

 Retail banking: Overall productivity in Britain and Germany was only two-thirds the level in the US. In Britain, the difference was blamed mainly on weak competition, and in Germany on the commercial banks' extensive networks of small branches.

The study found that US banks offered customer service in their branches comparable to the two other countries and had invested more heavily in information systems and automated teller machines. • Restaurants: Though the

US ranked highest in terms of throughput per employee, France scored best in terms of value added per employee. The study found no clear explanation for these differences • Retailing: Overall US productivity was narrowly ahe of Germany and almost twice the level in Japan. Performance reflected the degree of concentration of the industry in each country, income levels and industry structure

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property costs and scale economies were relatively unimportant. Telecommunications: The US advantage was largely due to superior capital productiv-ity. US telephone networks handled four times more calls per dollar of investment than those in France and Germany, and twice as many as those in

and organisation. However,

France, Germany and Japan, achieved labour productivity close to US levels, though Britain's performance was only 53 per cent of the US. The study suggests British Telecom is heavily over-staffed.

*Service Sector Productivity: McKinsey Global Institute.



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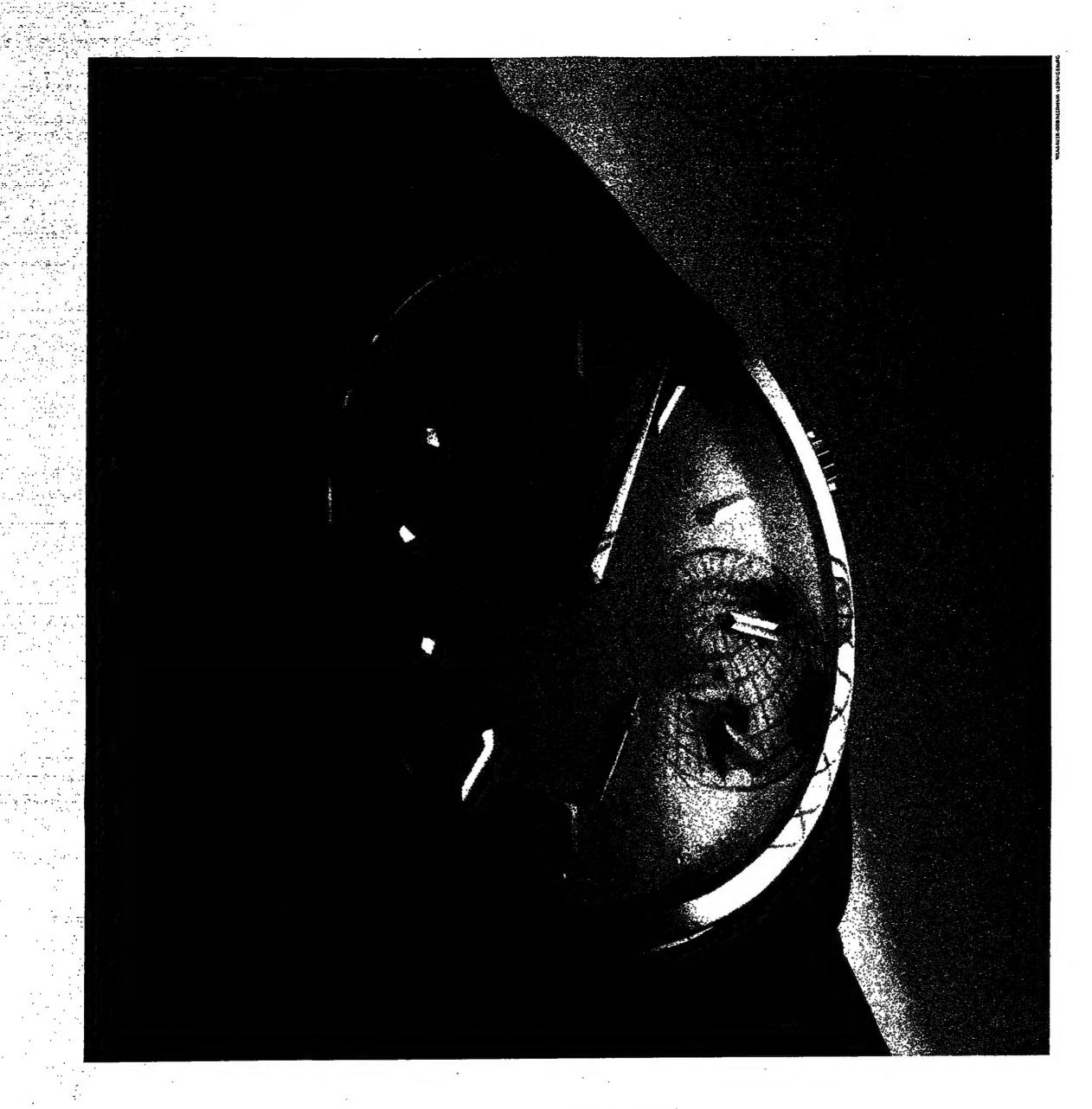
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Kompetenz gewinnen statt Zeit verlieren.

Zeiten, in denen Zeit keine Rolle spielte: endgültig vorbei. Heutzutage will man in kürzerer Zeit mehr erreichen. Statt Zeitverschwendung – Konzentration auf das Wesentliche. Das gilt auch für eine Tageszeitung, die nicht nur aktuell, sondern anderen voraus sein will.

Weil sich die Welt verändert, verändert sich die Welt.



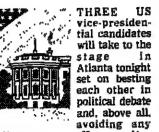




On the line: Al Gore (left) and Dan Quayle (centre) have the most to gain or lose from the debate, while James Stockdale faces a baptism of fire

US vice-presidential candidates enter debate intent on avoiding gaffes

Deputies in election limelight



will take to the each other in political debate and, above all. avoiding any

disastrous gaffes, writes George Graham in Washing-

It is safe to predict the most surprising candidate will be Mr James Stockdale, the retired admiral running alongside Texas independent Mr Ross Perot, because voters know

INTERNATIONAL Business

Machines (IBM) sald yesterday

it had reduced the use of two

chemicals used to make semi-

conductors which are sus-

pected of causing miscarriages

among women workers, Reuter

reports from Armonk, New

The company said the use of

diethylene glycol dimethyl

ether and ethylene glycol

monethyl ether acetate was cut

by 40 per cent between 1989

and 1991. The two have not

been incorporated into any

Vice-President Dan Quayle and for Senator Al Gore, the Republican and Democratic candidates. Both men know their ability to help their respective running mates -President George Bush and

Governor Bill Clinton - is less than their ability to hurt them. Tonight's debate is particularly important for Mr Quayle, who has not yet managed to live down the unfavourable impression he made in his first national campaign in 1988.

Mr Quayle says he has gained experience during his four years as vice-president, but complains he is unfairly treated by reporters. "It's the

processes, an IBM spokesman

According to a study by

Johns Hopkins University that

IBM commissioned, 10 of 30

women who worked with the

chemicals at two IBM plants

and then became pregnant had

ers, all other semiconductor

makers in the US, and its sup-

Mr Jim Ruderman, a spokes-

man for the company, empha-

sised that the study's results

pliers about the study.

were preliminary.

IBM has told its own work-

miscarriages.

inability for us to get any kind of fair shake from the media that's been the most frustrating thing about this campaign," he told the New York Times.

Ironically, the vice-president stands to benefit from tonight's debate, as few viewers will expect a stellar performance. With a modicum of good luck Mr Quayle should be able to erase the memory of Senator Lloyd Bentsen's put-down in the 1988 vice-presidential debate after he injudiciously compared himself to President

John Kennedy. Yet Mr Quayle can be certain that any minor misstatement will be pounced on as further

He said that the results to

date did not establish a

"direct link" between use of

the chemicals and the miscar-

riages but showed a "prelimi-

He added the number of mis-

Mr Ruderman said IBM was

"continuously finding

advances" in semiconductor

manufacturing processes, and

"the environment that may

have caused the miscarriages

may or may not exist any-

carriages was small but statis-

nary link".

tically significant.

evidence of an inability to remove his foot from his

On the Democratic side, Mr Gore has so impressed most spectators with his intelligence, his command of detail and his unflappability that he will be hard pressed to match

But. like Mr Clinton in Sunday's debate. Mr Gore need do no more than hold his own.

For Mr Stockdale the debate offers a baptism of fire in policy questions - ranging from health insurance to the spotted owl. An academic at the Hoover Institution, a conservative think-tank in California, he holds the distinction of being possibly the first man in the last half century to have introduced the Greek Stoic philosopher Epictetus into American political discourse.

His principal topic of public conversation, besides the Stoics, has so far been his experience as the most senior US prisoner of war in Vietnam.

Few analysts expect Mr Stockdale to match his running mate's brand of humour and colourful phrasing, but he may do better on the details of the Perot platform. He says he has read the II7-page policy document, entitled "United We Stand," 10 times; this is widely believed to be 10 times more

IBM warns on chip chemicals | Top Cuban ideologue dismissed over scandal

CUBA'S Communist party has broken its official silence on the sacking three weeks ago of Mr Carlos Aldana, the party's ideology and foreign relations chief, saying he was dismissed because of a financial scandal, writes Canute James in King-

The party said Mr Aldana, who was also responsible for culture, science and sports, had accepted favours from a company director who had earlier been arrested for the eva-

sion of taxes and customs duties and for violating the country's strict foreign cur-

rency regulations. The statement is an apparent attempt to end speculation that Mr Aldana, an adviser to President Fidel Castro and one of the architects of government policy, had been dismissed because he had argued for a moderation of economic policies, including a more tolerant attitude to private enterprise in some sectors.

A changing Dr Jagan in a changing world

Canute James on Guyana's president with a past

HEN Dr Cheddi Jagan, the new president of Guyana, joins his colleagues at a Caribbean Community summit in Trinidad in a fortnight, they will all be more than slightly anxious to discard some mutual reservations.

Over the past three years Dr Jagan had repeatedly prevailed on his Caricom colleagues to help correct what were widely held to be repeated irregulari-ties in the process leading to elections in Guyana and which Dr Jagan claimed had kept the People's National Congress party of Mr Desmond Hoyte in office. Dr Jagan wanted Cari-com to send a team of observers to monitor the elections.

The Caricom leaders were, largely, unmoved by Dr Jagan's appeals and did not send a mission to Guyana. In the event the Caricom presence at the elections was contained in a Commonwealth team. This, said functionaries of Dr Jagan's People's Progressive party, was because no Caricom leader wanted to upset Mr Hoyte. "Despite this, will not hold it against the Caricom governments," said Dr

Dr Jagan, a 74-year-old dentist and a former premier of Guyana, has said, rather, that strengthening ties with Guyana's colleagues in the Carib-bean will be a foreign policy priority of his new govern-ment. Whatever reservations the Caricom members had about monitoring the elections, the new president will be welcomed by his colleagues.

Dr Jagan, once an avowed Marxist, has been a victim of the ideological sea change which has overtaken many third world leaders over the past decade. However, his move towards moderation and his recent advocacy of a market economy have allayed concerns, held until recently by some of the more conservative Caricom leaders, that Dr Jagan

was a closet communist.
The new president will also do well in mending fences with the US, which he describes as one of Guyana's "traditional Dr Cheddi Jagan, who was sworn in at the weekend as president of Guyana, is seeking the assistance of two small political parties, as his victori-ous People's Progressive party (PPP) has only a one-seat majority in the assembly, writes Canute James.

Dr Jagan said he would ask the Working People's Alliance and the United Force if they were interested in a coalition. The left-of centre WPA and the conservative UF trailed the PPP and the former ruling People's National Congress (PNC) in elections last week. Mr Jagan said he would not be

seeking PNC support.
PPP officials said the most likely partner for the party was the WPA whose preside tial candidate, Mr Clive Thomas, could be given a senior cabinet post.

friends". In the administration of Mr Forbes Burnham, Mr Hoyte's predecessor in office, Washington found itself not easily able to decide who might be a better friend.

Mr Burnham's state capitalism, in the pursuit of "co-operative socialism", including the nationalisation of foreign prop-erty, was the alternative to Dr Jagan's Marxism in the days of the cold war. Mr Hoyte's volte face in economic policy in deregulating the economy and distancing himself from the eco-nomic and political excesses of Mr Burnham apparently only strengthened the appeal of the reformed Dr Jagan.

The Hoyte administration's revised policies were part of a structural adjustment programme agreed with the Inter-national Monetary Fund and the World Bank. Dr Jagan, in opposition, had attacked the government for implementing the programme, arguing that the measures were too harsh.

The PPP now says that it will try to modify the IMF pact. "We feel confident that the IMF can be persuaded to rene-gotiate the harsh conditions which have been imposed on the weak PNC administration."

according to the party.

ment of the English-speaking republic of 900,000 people located on the north-east shoulder of South America, Dr Jagan faces three formidable challenges. The first is that he is in danger of being an anachronism. Dr Jagan last held political office 28 years ago, and since then has had to lead parliamentary opposition to the PNC. Much has changed in the world since, and old habits die hard.

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The new president still speaks of his desire to act on behalf of the "working people", and an apparent objection to the sell-off of state enterprises and the involvement of foreign investors has had to be reversed and clarified by his advisers in the face of questions raised by foreign busi-

Dr Jagan's second challenge is with the economy, which is hased on sugar and rice pro-duction and bauxite and gold mining. In breaking the mould of state capitalism and in deregulating the economy, Mr Hoyte took the hard decisions. But the price paid by Guyanese has been high. A 64 per cent depreciation which followed the floating of the currency last year contributed to high inflation and reduced the standard of living of most Guyanese and led to increased emi-

oreign investors have looked favourably on Guyana, but Dr Jagan will need to encourage many more with significant amounts of money to rebuild the economy, which declined steadily until last year when it expanded by 6 per cent and grew by twice that rate in the first half of this year.

Guyanese voted largely along ethnic lines, with the PPP being supported by those of Indian origin, about 52 per cent of the population, and the PNC by those of African descent, about 38 per cent. Dr Jagan has promised to work to end racial divisions, to

begin with by appointing a

multi-ethnic cabinet.

newly developed chipmaking J AIIICIICA with TWA and use this to open doors.



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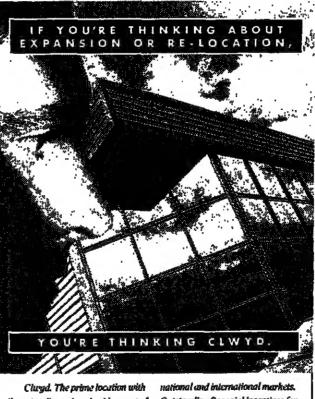
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ANNUAL GENERAL MEETING OF SHAREHOLDERS of GT European Warrant Fund will be held at its registered office at 13, rue Goethe, Luxembourg at 4 p.m. on 30th October 1992 for the purpose of considering and voting upon the following matters:

Acceptance of the Manager's and Auditor's reports and approval of the financial statements for the period from 1st July 1991 to 30th June 1992.

2 Distribution of final dividend.

3 Discharge of the Board of Directors and Auditor. 4 Election and re-election of Directors. 5 Re-election of Auditor.

Voting:

Resolutions on the agenda of the annual general meeting will require no quorum and will be taken at the majority of the votes expressed by the shareholders present or represented at the meeting.

Shareholders who cannot attend the Meeting in person are invited to send a duty completed and signed proxy form to the registered office of the Company to arrive not later than 28th October 1992. Proxy forms will be sent to registered shareholders with a copy of this Notice and can also be obtained from the registered office.

29th September 1992

The Board of Director

FINANCIAL TIMES CONFERENCES

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3 & 4 November 1992 Amsterdam

The conference, timed to coincide with the PetroTech 92 Exhibition, will focus on the challenges for Europe's oil refining and process industries.

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Mr Michael Brandt Shell Internationale Petroleum Maatschappij BV

Mr Peter D Gaffney Gaffney, Cline & Associates Ltd

Mr José Sierra Commission of the European Communities

Mr Pieter Koppenol Comprimo BV

Mr Azam K Alizai International Finance Corporation (IFC)

Mr Klaus R Kohlhase British Petroleum Company plc

Mr Yves René Nanot Total Raffinage Distribution SA

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By Michael Cassell, **Business Correspondent**

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THE jobs shake-out in British manufacturing continued yes terday as engineering employers accused the government of "ministerial paralysis" in failing to enact policies for lasting economic recovery.

Lucas Industries, one of the UK's largest engineering groups, meanwhile announced it was shedding at least 4,000 jobs — more than balf of them outside Britain - over the next three years as part of a

restructuring programme. The company has already announced the closure of eight sites - none in the UK - and says a similar number of factories in unspecified locations are also likely to shut.
Lucas's restructuring takes place against a background of

depressed automotive and aerospace markets, which the company says show only faint signs of revival. The announcement coincided with the results of a survey by Remploy, which provides skilled workers under contract to manufacturing companies, which showed 500 UK manu-

facturing sites have closed in the last year, taking with them another 47,000 jobs. There was harsh criticism from the Engineering Employ-

economy. Mr Neil Johnson, director-general, said engineering skills were going to waste in the recession, threatening Britain's longer-term ability to compete. He said the "vibrant core" of British engineering had not yet been dismantled but he attacked the government for having no clear vision on how to achieve recovery.

"A policy of waiting for something to turn up is demon-strably not going to provide the sort of positive results industry has the right to expect," he said. The DTI had until now offered "words

The federation said the recession in engineering - which has cut total output by 13 per cent since 1969 and left more than 300,000 people unemployed - has bottomed out, six months later than first forecast. It warned that a further 55,000 engineering jobs could still be lost in the next year.

Engineering output in 1992 will have fallen, according to the federation, by more than 3 per cent on 1991. It is expected to increase by nearly 3 per cent in 1993, mainly because of a projected 10 per cent increase in motor vehicle output,

> Lex, Page 20 Lucas results, Page 21 Background, Page 26

Sterling fear hits lending

STERLING lending to the private sector was flat in the three months to August, but foreign currency lending dropped by 2 per cent, reflecting fears over the pound's position in the exchange rate mechanism, Emma Tucker writes.

An analysis of Bank lending in the second quarter, published by the Bank of England, reflects a depressed economy with a private sector reluctant to accumulate debt. .

Foreign currency lending to the private sector by 2 per cent with growing concern that and water industries.

against the D-Mark. The seasonally adjusted 2 per cent rise in lending to individuals was dominated by home logns. This rose by 2 per cent, prompted by the reimposition of stamp duty on August 20. Business and other services

recorded its fourth successive and biggest fall in sterling lending for five and half years in the three months to August. The drop in lending for the private sector was partially offset by a 22 per cent increase in sterling lending to the energy

undermines consumer confidence

By Emma Tucker,

UK CONSUMER confidence fell sharply in the three months leading up to Black Wednesday, when the government abandoned the European exchange rate mechanism and sterling was devalued. After the steepest loss of

confidence in any quarter for five years, Business Strategies Limited (BSL) — an economic consultancy — warned yester-day that the next four months were critical.
In its latest regional survey,

carried out with the market research company Gallup, BSL positively to sterling's departure from the ERM...then confidence may bounce back a little with beneficial effect for hopes of recovery. If, on the other hand, consumers remain depressed, then a double dip recession becomes a very real possibility."

According to the survey, the collapse in confidence wiped out increased optimism in the three months to July, especially in southern England. Confidence in every region has dropped to the levels at

the start of the recession.

In Scotland, for example, optimism about the economy is falling and concern about anemployment is rising. In Yorkshire and Humberside, optimism about the general economic situation has declined, reversing many of the gains apparent in the previous survey. In the north confidence plunged over the last three months.

Mr David Fell, principal economist with BSL said hopes of a recovery this year had

Mr Fell said the south-east, which accounts for one-third of the UK economy, remained the key region. After three months of improving expectatheir financial situation to worsen over the next few months. Fewer consumers were managing to save than at any time since the regional results were collated almost

Embattled chancellor of the exchequer denies receiving German devaluation requests



Under pressure: Norman Lamont heads for parliament yesterday, where he faced intensive Treasury committee questioning

Lamont refuses to admit blame for sterling crisis

Main points to emerge from Mr Lamont's meeting yesterday with the Commons' Treasury and Civil Service committee.

Events leading up to Black Wednesday. Mr Lamont said he had heard nothing since September 16 which pointed to an alternative to the exit from the ERM, due to currency pressures. Mr Lamont said sterling's central rate in the mechanism of DM2.95 was not too onerous for Britain.

ERM re-alignment. Mr Lamont said the government had man authorities in the weekend before Black Wednesday for the pound to realign.

ERM. Britain will re-enter "in due course" when various conditions are met, including monetary conditions in the UK and

ment. It would be possible for treaty on European integration, without having agreed to go back into the ERM.

Inflation. Inflation has to be kept at between 1 per cent and 4 per cent, measured by the year-on-year rate in the retail prices index, excluding mortgage interest payments. Effects of sterling interven-

tion. Mr Lamont admitted purchases of sterling by the Bank of England on Black Wednesday - estimated at up to £15bn had a contractionary effect on the economy.

Monetary policy since Black Wednesday. Base rates have come down by 1 percentage point to 9 per cent, while there has been an effective devaluation of 10 per cent. the main economic effort would be concentrated on cutting inflation.

Britain to ratify the Maastricht arisen in recent months because of the "unique" circumstances of German re-unification which pushed up German rates, and the lack of symmetry between the economies of Germany and the US. That led to a strong D-Mark against the dollar, straining a number of ERM currencies, among them sterling.

There were technical aspects of ERM membership that could be usefully addressed, such as the rules related to when central banks should intervene to support currencies.

Forecasting. "Forecasts should be treated with caution and scepticism...no-one would like to see an [economic] recovery more than me". But there ments could do to promote one

Chancellor criticises FT reports

in yesterday's Financial Times. The first referred to a meeting on September 13 and said UK officials broached the possibility that sterling might devalue, along with the Italian lira. The second said Mr Lamont told officials to put a favourable gloss on projections for the UK's public-sector deficit. published a month before the April general election.

Mr Lamont was asked about both at the committee meeting: Mr Giles Radice: (Labour MP) "There's a report in today's Financial Times which says 'it has emerged that during the September 13 meeting at the UK Treasury, British officials briefly broached the possibility that sterling could join in the Italian devaluation

"The issue was raised at the meeting by Sir Terry Burns, permanent secretary at the Treasury, as an option, according to UK officials, but any likelihood that sterling would follow the lira by devaluing was, however, immediately scotched by Mr Lamont.'

"So clearly there was a possibility that there could have possibility by your officials, but you chose not to go down that route. Isn't that the case?" Mr Lamont: "No. That is not the case."

Mr Radice: "So it's wrong?"

Mr Lamont: "Well, I haven't actually had the benefit of reading that report." Mr Radice: "You don't read the

Mr Lamont: "I sometimes read the FT, but I haven't currently been reading it and I certainly think that many of the things that it has written on these events are highly inaccurate and intended to be so. They seem to be extremely out to create a bit of problems here and there. Mr Chairman, I will only say that at the meeting on Sunday morning ... I haven't read this article...so I don't know which meeting it is refer-

ring to." In a later exchange:

Mr Brian Sedgemore: (Labour) "Can you respond to the serious criticism in this morning's Financial Times that perhaps neither this committee nor anybody else can take anything you say seriously on economic policy, because you are been a devaluation and you a dishonest person that gets

AT THE hearing, Mr Norman were advised that there was a Treasury civil servants to take Lamont criticised two reports possibility by your officials, economic projections and statistics for political purposes. I have the Financial Times here, if you would like to read it." Mr Lamont: "That is not cor-rect. I'm afraid that's why I responded rather sharply about the FT earlier, no doubt unfairly on the FT. All I will

say about that is that it is a

very misleading article.

"All forecasts are discussed between ministers and officials. The forecasts obviously take into account the views of ministers and other senior officials who are not directly involved in the technical pro cess of running the Treasury model. The final published forecasts are the responsibility of ministers, they reflect all

course of these discussions. "I think earlier on we sent this committee a memorandum in July of last year about how the forecast was drawn up and we stand by everything that was in that."

the judgments made in the

Last night the Treasury declined to elaborate on Mr Lamont's comments. Mr Richard Lambert, editor of the FT, said: "The paper stands by its



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IT'S EA WH ABOUT

Five injured as bomb explodes in London

By Jimmy Burna and Reiph Alkins

TOBER 13 IN

FIVE people were injured, one seriously, when an IRA bomb exploded in the heart of London's West End yesterday.

The bomb which exploded at lunchtime in a pub in the Covent Garden area was the eighth to explode in London over the past week.

It followed a warning, described by police as "deliberately vague and confusing", to a radio station nine minutes carlier. The warning used a recognised IRA code-word and stated that the bomb has been placed in the "Leicester Square area", leaving police with little time to clear surrounding buildings.

An eyewitness sald the the blast appeared to have been caused by a bomb planted in a rubbish bin outside the pub. Although the recent attacks

have so far involved relatively small devices and caused few casualties, they have been marked by a constant shift in tactics aimed at stretching police resources while providing maximum publicity for the provisional Irish Republican Army (IRA), which is fighting against the deployment of British troops in Northern

The bombing campaign coincides with cross-party talks on Northern Ireland's future which involve nationalist and Unionist leaders but excludes Sinn Fein, the political wing of the IRA.

The earlier attacks, including an explosion on Saturday outside Paddington Green topsecurity police station in west London, where IRA suspects are held for interrogation, all deny four counts of were also seen as the IRA's response to the Tory party

conference last week.
It was followed by an IRA statement which warned: "British military and political leaders should take this signal of our intentions seriously." But with the blasts continu-

ing there were fears of a new autumn offensive. Last week a series of bouxes also disrupted public transStricken company hopes Zurich Insurance could provide cover for local government

HOPES of a rescue bid for Municipal Mutual Insurance. the local government owned insurance company, ruse yesterday following an announcement that the stricken insurer is holding talks with Zurich

Insurance, the Swiss company. in a joint statement, the two companies said they were "in talks to provide on going commercial insurance cover for

No binding agreement has yet been reached. The companies would not say whether MMI's existing insurance liabil-

Municipal Mutual stopped underwriting new business late last month after earlier rescue talks with the Paris based La Garantie Mutuelle des Foncionnaires broke down.

MMI has been been badly hit by an escalation of claims on its public and employers' liability business. Its losses in 1991 amounted to more than £200m. Zurich, the third biggest nonlife insurer in Europe in 1991.

has designated the UK as a strategically important market for expansion.

local authority customers", Mr White added. It is also one of a number of

NEWS: UK

companies discussing the provision with MMI of private car and home insurance for local authority employees and other

Mr Brian Wright, group chief executive of MMI, said that if the plans were successful "it would result in a large number of staff at Farnborough and in regional offices throughout the country continuing with their present jobs but as part of Zur-

"It would be a very signifi-cant forward step in the solu-

tion of MMI's problems." Local authority associations

offered a cautious welcome to the development, but said they would "need to be satisfied that existing contracts with MMI would be honoured in full in any agreement between MMI and Zurich".

The authorities said they would need to examine "very carefully the treatment of claims arising under previous years' policies".

The Manufacturing Science and Finance Union, which represents 1,500 of MMI's 2,000 staff, also offered a "cautious

50 pits, and are part of the drastic reshaping necessary to and conditional welcome". prepare the company for priva-tisation. The closures will cost more than 20,000 jobs, one of the largest set of redundancie ever announced at one go. The government will try to soften the blow with promises of aid,

M&G director replaced M&G, Britain's largest inde-

budget are slim.

Large-scale

pit closures

likely today

British Coal is expected to

announce the closure of 26 pits

today in a sweeping rationalis-

ation plan involving the loss

The closures represent over half British Coal's remaining

though the prospects for this

given the current state of the

of thousands of jobs.

pendent unit trust company, has replaced its marketing director in a move that signals a shift towards a more aggressive sales approach and a greater emphasis on products other than unit trusts.

Mr Tim Miller, who was also a main board member at M&G. will be succeeded by Mr Peter Emms, formerly executive director of marketing at Allied Dunbar, a life insurer which relies heavily on commissiononly agents and has been known for an aggressive sales approach. M&G, which has always sold its products only through independent financial advisers, is now considering the establishment of a smal direct sales force.

Offer sought on Canary Wharf

Administrators of Canary Wharf, the financially tronbled East London property development, have asked the government for more time to revise their offer of a contribu-

Britain in brief tion to the costs of building the underground Jubilee Line

> The administrators, who are three partners of the accountancy firm Ernst & Young, met Lord Wakeham, the Lord Privy Seal and leader of the Lords who is chairing a government committee on London Dockhnugs.

They were accompanied by Lord Griffiths, Lady Thatcher's former adviser who is now international adviser at Goldman Sachs, the US investment bank which is working for the administrators.

Retailers hold market share

The UK's biggest retailers continue to be the most profitable of their kind in Europe in spite of the severe recession that has

ravaged the service sector. According to an analysis by consultants Management Hori zons. UK companies accounted the six most profitable retailers in Europe last year. Their profitability stemmed from the big investments UK retailers had made in own-brand development, superstore construction and information technology and distribution systems, the

Overall, UK companies accounted for 24 of the 50 most profitable European retailers.

Manufacturing capacity at risk

Serious losses of manufacturing and business capacity are threatened unless there is a significant increase in economic activity, according to north-west England's chambers of commerce. The chambers' regular quarterly survey for the July-September period shows confidence crashing as orders nosedived. Nearly all ing the last 12 months were

MG rides again Rover Group, the car-making

subsidiary of British Aero space, is to relaunch its MGB sports car in a redesigned version known as the MG RV8. Rover said it is also considering re-engineering the car for export following enquiries from prospective Japanese and European buyers.

Swiss group in rescue talks with MMI based subsidiary, which under-

By Richard Lapper

ocal authorities".

Zurich was offering to assume

THE Department of Trade

and Industry was deceived by

three directors of Matrix Chur-

chill, the Coventry-based

machine tool manufacturers.

into believing that equipment

exported to Iraq was for civil-

lan - not military - use, an

Old Bailey jury heard yester-

The protence by the three

was an attempt to evade the

ban on the export of military

equipment and sell iraq

machine tools and computer

software to manufacture bomb

fuses. Mr Alan Muses QC, pros-

Mr Paul Henderson, a former

Matrix Churchill managing

director, Mr Trevor Abraham,

of the company and Mr Peter

Allen, a furmer sales director,

breaching export regulations

between July 1988 and August

Mr Moses, for Customs and

Excise, which is bringing the

prosecution, said contracts and

other documents showed the

machine tools and soft-

ware exported had always been

intended for military

A report by a Matrix Chur-

chill employee following a visit

to lraq referred to a fuse proj-

a former commercial director

ecuting, said.

over Iraqi trade

Its existing Portsmouth-

ect. A contract signed in 1968

between the company and

Industrias Cardoen, a Chilean

company involved in the trans-

action, referred to fuses to det-

Matrix Churchill supplied a

complete package including

the training of troof personne

in the use of the machine

Their manufacture was

sometimes sub-contracted to

other companies but Matrix

Churchill always took respon-

sibility for seeing that export

regulations were adhered to,

All three defendants, how-

ever, had played parts in

deceiving the DTI to get

around the ban on exporting

military goods and obtain the

necessary export licences, he

of the purposes the equipment

would be put to and all three,

particularly Mr Henderson,

suggested it could be used for

The DTI suspected the equip-

ment could be used for mill-

tary purposes, but had

accepted assurances given by

the three directors that the

equipment was for civilian

The trial, expected to last

about eight weeks, continues

They gave false descriptions

quate hombs

Mr Moses said.

civilian purposes.

writes both life and general insurance business, ranked 20th in size in the general insurance market in 1990. Mr Dennis White, chief exec-

utive of Zurich Insurance in the UK said: "There are still a number of issues, but subject to these being resolved we shall be able to offer insurance cover to local authorities on realistic terms before the year

Zurich would acquire *all necessary staff and systems from MMI, so that MMI insurance products and services can continue to be provided to

Directors on trial Government rejects EC charges on green issues

Environment Corresp

THE GOVERNMENT accused Brussels yesterday of acting with insensitivity as it dismissed claims that the UK will be taken to the European Court of Justice for three breaches of environmental kiws on wild birds and emissions of nitrous oxide.

Mr Michael Howard, environment secretary, was called to defend the government's "green" record at yesterday's relaunch of a campaign to persuade householders to save energy and help to prevent global warming. He said: "We have received

no communication whatsoever from the European Commission on these issues since before the general election in April", adding that be had thought the three disputes had been "amicably resolved". Brussels has sent reasoned

opinions to the UK government the last step before court action - for allowing farmers to shoot "pest species" of wild birds such as crows, starlings and magples, and for its alleged failure to provide enough "special protection areas" for wild birds.



Michael Howard: thought disputes had been "amicably resolved

A third dispute over the "failure" to monitor levels of nitrous oxide is less advanced. Mr Howard said that he did not expect any of the arguments to

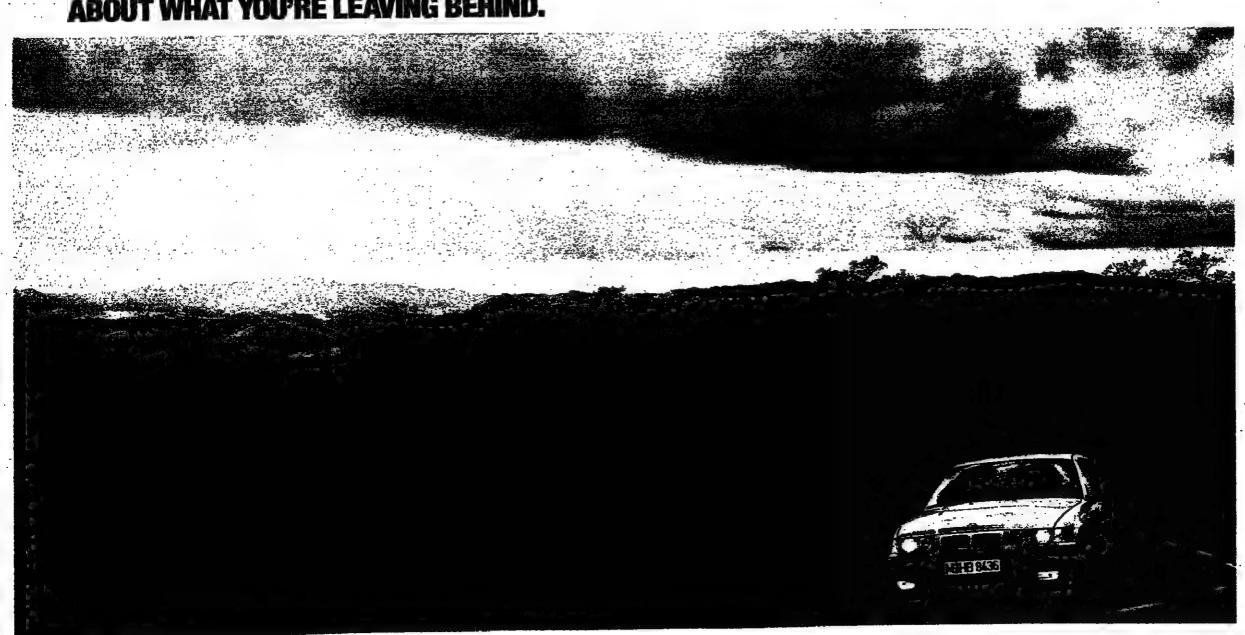
end in court. The row, just days ahead of Friday's EC summit in Birmingham, will fuel Britain's calls for less interference from Brussels. Giving evidence yesterday to the Commons foreign affairs select committee, Mr

tary, said: "My own personal view is these things [should be] a matter for national governments acting in line with national traditions, national feelings."

Douglas Hurd, foreign secre-

The new campaign, called Helping the earth begins at home", will cost £10m over the next three years and will urge householders to lag water tanks and turn off lights.

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been fascinated by the idea of eternally preserving youthful vitality. Much of Florida was mapped out by the Spanish explorer Ponce de Leon in his search for the fountain of youth. A few years ago, Holly-wood made a small fortune by exploring the idea of eternal

life in the film Cocoon.

Only in the last few years, however, has the search for youth made the leap from myth and dreams into scientists' laboratories. After years of concentrating on specific diseases like heart disease and cancer, some researchers are turning their attention to an increasingly common cause of

Research on ageing is becoming a hot area for scientists. Human growth factor, nerve growth factor, DHEA hormone and deprenyl are just a few of the drugs that have been shown to have an impact on some processes involved in ageing. But none has been shown to extend life reliably.

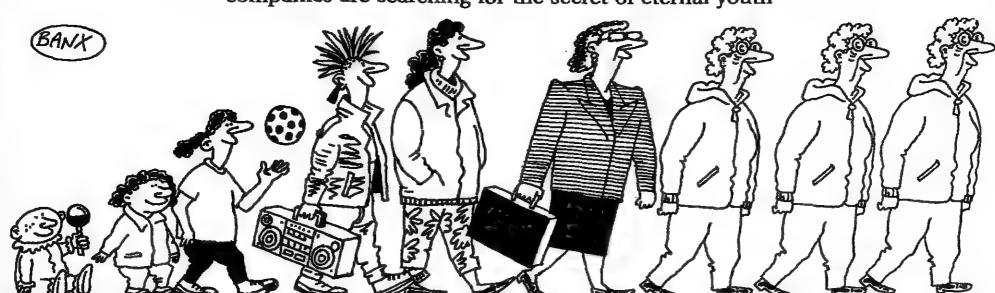
The basic mechanisms underlying the process of age-ing are still poorly understood. Researchers do not even agree on such fundamental questions as whether there is a irreversible biological limit to the human life span. If there is, it might still be possible to extend the lives of those who dle "prematurely" - before the age of about 85 - but there would be no hope of keeping significant numbers of people alive beyond 115.

One reason for the lack of definite progress so far is that ageing offers not too few, but too many, lines of investiga-tion," says Tom Kirkwood of the National Institute for Medi-

cal Research in London. 'As we grow older, almost everything in our bodies undergoes some change. Not only is it difficult therefore to sort out which changes are causes rather than consequences, but it is not even

Living life beyond the limit

Victoria Griffith and Clive Cookson explain why scientists and pharmaceuticals companies are searching for the secret of eternal youth



should be looking for," he says. Some scientists are searching for genes which may bring about ageing in a controlled way, like the ones that govern growth from embryo to adulthood. Some are concentrating on the proteins which maintain the normal working of cells and which lose their normal patterns of activity in old people. And some are trying to sort out the myriad of agents, both internal and external. which damage cells over the course of a lifetime.

Kirkwood rejects the popular idea that "ageing is good for the species and that we die as an evolutionary adaptation to make way for new genera-tions". Unfortunately, there is no specific life-terminating genetic programme which scientists might in principle be able to identify and switch off, he says. Instead, we age because of an accumulation of errors in many cellular repair

The US National Institute on Ageing (NIA) is funding some of the most exciting research projects in the field. In one study, Daniel Rudman of the Medical College of Wisconsin discovered that human growth hormone, administered to 50 men in a nursing home, seemed temporarily to turn back the biological clock, improving bone and organ strength and making the men more physically active.

At one time, human growth hormone was an extremely rare substance, used exclusively for correcting the dwarf syndromo. Advances in biotechnology have recently made it possible to make the hormone synthetically. Eli Lilly and Genentech, two manufac-turers of the substance, participated in Rudman's research. Although human growth

hormone is more plentiful than it once was, it is still expensive. Rudman's patients would have to pay about \$14,000 (£7,900) a year for the drug if they were to purchase it individually. In an attempt to pare down

the costs and increase the efficiency of the treatment, Mitchell Harman of the NIA has taken Rudman's research one step further. He has created the "growth hormone releasing hormone", a substance which stimulates human beings to produce more growth hormone in their own bodies.

Another drug that has come under scrutiny for its anti-ageing effects is DHEA, which

make faltering immune systems come alive again. DHEA is a natural hormone which decreases in the body with age. Experiments with the substance helped spawn the "morning after" pill, which contains some DHEA, Today, DHEA is manufactured by several companies, although it has not been approved for use

against ageing in the US. Scientists also hope that genetic manipulation may belp extend life spans. Geron Corporation in California, for instance, has been studying genes that may trigger ageing, as well as compounds that may reverse these effects.

Researchers have bred strains of fruit flies that live twice as long as normal and are identifying the genes responsible. One gene produces an enzyme, superoxide dismutase (SOD), which mops up highly reactive chemicals called free radicals that damage biological tissues. However, scientists have not yet developed a protective drug that could deliver SOD to the cells where it is needed.

Oxygen free radicals, in particular, may well be an important factor in ageing and some doctors believe that anti-oxidants such as vitamins C and E can help prolong life. If so, the traditional advice for children to eat up their green vegetables might help them to live

Indeed, eating a controlled

diet is still the only method widely believed by scientists to have a significant impact on lifespan. "Diet is the only known way of extending life, says George Roth of the NIA. He points to experiments

with a range of animals including insects, rats and monkeys. "We limit their food intake and give them vitamin supplements. So we aim for under-nutrition without malnutrition." The results from the experi-

ments are astounding. In all cases, a low-caloric intake was shown to extend the organism's life by about 40 to 50 per cent. The method has already won over some believers. Roy Walford, who launched the well-known Biosphere project, is currently experimenting with under-nutrition on him-

According to Roth, however, under-nutrition may not be necessary. "The idea is to come up with a drug which would have the same impact on the body as low-caloric intake," he

explained. Despite progress in the field, many observers believe it will be a long time before a trip to the local pharmacy includes a stop at the life-extension counter. Many companies have little incentive to spend money on ageing research, since many of the substances are natural. ly-occurring and are therefore difficult to patent. Another problem is that regulatory authorities may not be keen to approve the drugs for market.

Anti-ageing drugs may also have serious side effects, the most dangerous of which could be cancer. Since cancer, or the over-growth of cells, is in some ways the opposite of ageing, or the under-growth of cells, medical manipulation may push the body over the edge to malignancy.

Scientists are also concerned about the ethical and financial implications of anti-ageing drugs. Increasing life span without increasing health span, for instance, could do more harm than good.

"if we add on years to human life but do nothing to make them more active during those years, what we are doing is adding to human misery," says Roth. "We have to think hard about these questions, or we may end up with 150 yearolds who spent the last 80 years of their life in a nursing home. That would be a disas-

Technically Speaking

Tight squeeze putting desktops in a pocket

By Geof Wheelwright



in the UK. Japan and scrambling to produce hand-held computers, driven by a burning desire to put a "computer in every paim". Few of them, grasped the basic difference between designing a computer that will sit on your desk and one that will fit in your

Most are climbing over one another to make hand-held computers that are as fast, powerful and easy to use as today's desktop systems. But in order to meet the size requirements of a hand-held computer, manufacturers are using miniaturised versions of

old technologies. The problem is that yesterday's hardware - even when it is updated and shrunk until it fits into the palm of your hand - will not run the latest PC software.

Rather than recognising this limitation - and rethinking their design strategy -many makers of pint-sized PCs are forcing users to accept these abbreviated versions of their desktop PC software. Even big companies such as Atari, Memorex and Fujitsu have gone this route. There are five big limitations that have prevented

ory, storage space, processor speed, display quality and keyboard size.

On most systems, memory and storage space are pro-vided by "solid state", batterybacked memory chips - and the restriction lies in the number of chios which can be soneezed into one tiny machine. This part of the equation may improve slightly with the advent of ultra-small, magnetic disk drives such as Hewlett-Packard's recently launched 1.8inch diameter disk drive but these also carry a price in

terms of power consumption. Meanwhile, the processor speed of hand-held machines is increasing more quickly than in desktop systems. But these faster processors will take a few years before they can reach the power of today's desktops. And they will always lag behind due to the physical dimensions of hand-held machines.

Display quality and keyboard size are also limited by the size of your wallet - and the size of your fingers. While there are some creative alternatives to the keyboard such as voice or pen-based machines - these fall outside the mainstream PC world.

And therein lies the problem. Although it may be technologically possible one day to fit a full-blown desktop PC into a computer small enough

Dozens of leving the same power as to fit in your pocket, this is high-tech their desktop brethren: mem- not what most people want. not what most people want. Rather, they desire a tool which will help them access vital information that is needed when they are out of the office and which carries with it the capability to send

and retrieve information from

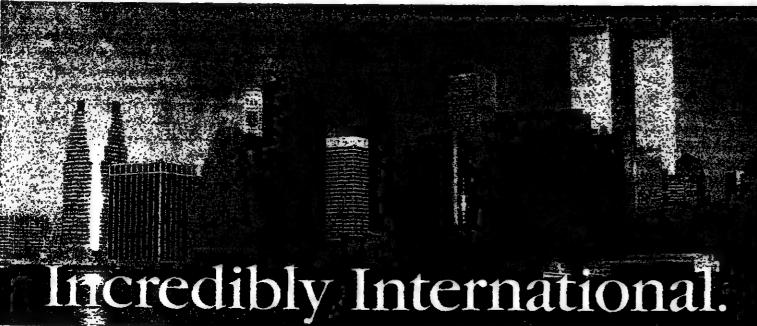
that office or others. Some companies - such as ics glant Sharp's popular "IQ" or " Wizard" range and Psion's 18-month old Series 3 hand-held computer - have recognised this and are reaping the benefits of having

Pocket-sized computers are simply a different kind of product. Unlike the general-purpose desktop PC they need to be geared to the spe-cial needs of certain users.

We already have pocket-sized "organisers" such as the Sharp Wizzard, and pocket-sized computer games such as the Nintendo Gameboy. What next? A word processor for those on the move or a lacsimile machine that fits in

your pocket are possibilities. The breakthrough in handheld computing will, however, come with the ability to build wireless communications into a pocket-sized computer at a mass market price. We already have cellular telephones that fit in your pocket and a few computers that are pocket sized. What we need is a single unit that combines





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MANAGEMENT: THE GROWING BUSINESS

Next year's European Single Market may bring with it a bureaucratic nightmare for companies that charge VAT, says Charles Batchelor

Exporters pick up the pieces as barricades fall

that businesses in Europe account for value managed tax (VAT) are causing conaccount for value added sternation among companies and industry associations throughout the European Community.

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From January 1 the formal creation of the Single European mar-ket will lead to the abolition of border controls and remove the customs posts which at present monitor VAT and collect trade sta-

Companies with customers and suppliers elsewhere in the Community will record their own VAT information and compile their own trading records.

There are widespread lears that this, the most fundamental shake up of the VAT system for two decades, will create a bureaucratic nightmare and impose considerable extra costs.

The new VAT and reporting systems will affect the 140,000 UK companies which currently trade with other EC countries while some 30,000 companies will be required to fill in far more detailed monthly returns on exports. Many hundreds of thousands of businesses in other RC countries must also comply.

"We have been horrified at what is happening," says Sandy Anson, tax specialist at the Institute of Directors (IOD). "This was a political decision taken by the Community before anyone thought of the practical ramifications. The more you look at it, the worse it gets."

Other industry groups around Europe share these fears. The French Employers' Association, the Patronal, doubts whether the new system will really simplify cross counterpart, the Bundesverband der Deutschen Industrie, describes the transitional system as "an optical illusion".

By moving from customs posts to internal controls within companies, the Community is merely exchanging a visible hindrance to trade for a less visible, but equally, powerful barrier, says Winfried Eggers, the

BDI's tax specialist.
The tight timetable which has been imposed has meant that many businesses are scrambling to modify their VAT procedures and their internal data collection systems. But others remain unaware of the implications of the cha

or British Steel , the problem of responding to the new VAT regulations bired and the steel of t regulations hinged on the scattered nature of its operations.

The group had been formed from 14 separate companies, all operating independently and frequently with incompatible data collection

Group VAT returns are at present compiled from 31 separate "manual" returns.

With more than a quarter of British Steel's £4.6bn annual sales made to other Community members and significant volumes of raw materials and other goods coming in from continental Europe, the company clearly faced considerable

changes.
British Steel had a choice,
explains Harvey Collyer, a manager
closely involved in the project. It could get each of its operating units to provide the VAT data to Customs & Excise or, alternatively, it could centralise data collection. The latter approach had its attractions but the company had never before had a central

commercial data base. Despite this, British Steel opted for a centralised approach because this would allow it to build up a core of expertise in single market issues while the head office experience of VAT matters could be applied to any problems which

It would avoid individual businesses putting different interpretations on the reporting

mistake of treating the new VAT registered for VAT, the goods are rules as a purely technical issue and have delegated responsibility to junior managers in their tax departments. "There is not the grasp at board level of the importance of the new system," comments John Arnold, a tax partner at accountants Coopers & Lybrand. "We are looking at major changes in the

way companies operate." The need to have the new system in place by January 1 has put pressure on both the European Commission and national governments. Amendments to the new system are still being considered in Brussels while many member states have yet to pass the legislation needed.

Under the present system, no VAT is payable on exports but tax is levied when the goods reach their port of destination. When border controls go, this system will no longer be possible so the European Commission proposed moving to what it calls an "origin" system of

This would have meant an exporter based in London and selling to a customer in Milan would charge UK VAT just as if he were selling to Liverpool. The Italian businessman would then recover the UK VAT through his Italian VAT return and charge Italian VAT when he sold the goods to his Italian customers.

The problem with this proposal was that it would have required far greater harmony between VAT rates in the different countries. It would have probably meant that the UK would have had to drop its zero-rating of childrens' clothing and many foods, a step with serious political implications.

A clearing house would have been needed to redistribute VAT revenues around the member states and many countries doubted whether this could have been made to work

These difficulties persuaded to the Commission to go for a transitional system from next January with the aim of launching a full-blooded 'origin' system in January 1997. Under the transitional system, there is still no VAT on exports to another EC country and the importer, if it is a VAT-registered business, pays VAT when it takes delivery of the goods.

taxed in the exporting country. And special rules have been drawn up for "distance sales", such as through mail order and for sales of high value, easily moveable items like cars, boats and planes to non-VAT registered individuals.

Finally, since VAT inspectors will no longer be collecting data at border posts, companies will be required to submit details of imports and exports to Customs. Smaller traders must file what is known as a European Sales List every quarter while larger companies, buying or selling more than £135,000 a year, must make a more detailed declaration every month.

UK Customs & Excise acknowledges that the new tax regime is complex but says it represents a necessary compromise between the demands of the 12 EC member states. It has been publicising the new system for more than a year and has already visited 20,000 com-

"We hope people will get it right but, realistically, they will not at the outset so we will treat errors and misunderstandings leniently in the early stages," Customs says.

espite these worries, even the new regime's critics accept that it will bring some benefits. There should be an end to border delays and a saving on freight clearance costs at ports. According to one estimate, the abolition of tax controls at the frontier will lead to Europe-wide savings of £10bn.

Importers will no longer have to provide bank guarantees to Customs for VAT payments due. Since the banks set these guarantees against their customers' total loan facility, this could free a total of up to 23bn worth of capital for other uses, the IOD's Anson calculates. But there are considerable doubts about many of the details of the

new regime. They include: Difficulties in accounting for what is known as "triangular trade", when a buying office in, say, Germany orders goods from Spain for delivery to a branch location in France. To avoid the risk of being taxed twice, the buyer must choose where to register for VAT purchases. Triangular trade is far more

Case study: The large company

Building up a

core of expertise

Many companies have made the individual, or an organisation not • It may be difficult for an exporter to provide proof his goods have gone abroad. The government has said exporters will not be penalised if they take all reasonable pre-cautions but business organisations wonder how understanding Customs will be. Exporters must record

their customers' VAT-registration number on invoices but some coun-

tries, such as Germany and France. are only now issuing numbers. Mail order companies doing substantial foreign business must appoint a representative to handle their affairs locally and provide a contact point for the local VAT authorities. It may prove difficult and expensive to find such agents since they will assume an unlimited liability for paying VAT, says Adrian Ogley, tax specialist at the CBI, "The cost of maintaining a local representative may wipe out

any profit for a small company." Differing currency valuations, transfers to overseas branches which have to be registered as sales, and alternative ways of doing business such as leasing, may all create distortions in the reporting of trade information to the VAT authorities. Many UK companies will have to modify their internal data collection methods to provide the much more detailed information

 The potential for fraud. At present if Customs suspect a misdeclaration of the value of a shipment. they can hold on to the goods. In future they may have to check back on the value of consignments made three or more months earlier.

 Confusion could result in the first few months of 1993 because many countries have yet to introduce the legislation needed to implement the new system. Countries such as Germany, Italy and Denmark will be introducing detailed legislation to implement the new VAT system this month or next. The BC itself is currently working on a "cleansing directive" to sort out some of the problems created by the original VAT directive but this may not be agreed until November or December.

Industry lobbyists around the Community agree that there is little they can do now to change the way the transitional system will work from January 1 though they are determined to make their voices

to introduce a central system. British Steel discovered other

Not only would the information

be more accurate, it would also be more timely because by avoiding

the need to cross-check the data, it could set a later cut-off date.

Delivery information required

provided centrally and a corporate

commercial data base could be set

Responding to the new VAT

regulations has produced some

but it has also thrown up some tricky administrative problems.

valuable and unexpected benefits

The two main ones have been

obtaining the VAT numbers from

allocating a tariff number, which

At present British Steel has no

need to record the tariff number.

or even to note the country from

From January 1 it will have to

BS believes it will achieve its

twin alms of providing the trade

data required by the European

Community and automating its

VAT returns by January 1.

identifies a product for customs

ciding on a uniform method of

its European customers and

purposes, to its purchases.

which the goods have been

record this information.

supplied.

from national producers under early BC legislation could be

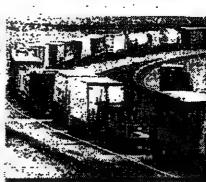
benefits, says Collver.

At present

Trade is subject to

... often leading to delays





From Jan 1

EC lifts border controls & creates Single Market



Companies will record VAT information themselves.



.so internal systems need modifying now



But circular deals cause problems and data is difficult to recover...



scope for

introduced in 1997. Ultimately, apologists for the new ystem claim, acceptance is just one of the start-up costs of the single European market which is forecast

to bring general trading benefits of

nity. "But the benefits come in the general commercial area while there are a lot of costs on the VAT side," says the CBI's Ogley. "Every-one wants the single market but the question is, do they want it at this

Case study: The small firm

Switching staff to a new range of duties

orrisilex, a small manufacturer of rotary tools and finishing machinery, has been gearing itself up for the VAT changes since April.

The company, which exports one-third of its 13m turnover, mostly to other European Community countries, is fortunate in having a full-time computer manager, says company secretary Jeremy Theaker.

Many companies of similar size Morrisflex employs 75 people would not have a computer specialist and so would have to mploy outside consultants.

Morristlex's computer manager is currently working on creating a database for the information the company will now have to collect, though it expects it will also have to do additional manual data

Morrisflex recently wrote to its 100-plus European Community customers to ask them for their VAT numbers which will have to be included on all invoices from

Just over half have replied so far but there was a particularly poor response from Germany



Jeremy Theaker: gearing up

(which is issuing new VAT codes) and Italy. There was a good response from the Netherlands, says Theaker.

Morrisllex, based in Braunston, Northamptonshire, does not see much advantage from the switch to the new VAT system. It does not, for example, expect to benefit from the removal of border checks because it sends most of its consignments by parcel post. This means it does not normally experience customs delays or have to bear the cost of clearing agents.

Computers

Race to get the systems right

ost companies are now faced with a race against faced with a race against time to make the necessary modifications to their core computer systems to meet the requirements of the new regula-

The alternative will be a time consuming and expensive monthly struggle to collate information

Many, however, have still to tackle the strategic issues concerned with changing business practices to meet the 1993 requirements, let alone modifying their computer systems to produce the information.

Some estimates indicate that only 10 per cent of the 30,000 companies ch will have to submit the most detailed reports have yet begun to assess the detailed systems changes

which will be required. It seems a classic example of a business imperative falling into the gulch between general manage-ment and information systems management. Bach believes the other is responsible for initiating and implementing the necessary

changes, and as a result nothing has been done. The heaviest burden will fall on the larger companies - exporting or importing more than £135,000 worth of goods a year - and those trading with several European countries. For companies which have not yet begun to modify their

systems, it may be already too late to meet the end-of-year deadline. The reason is that although the software changes might seem slight, they are extensive, affecting the programs responsible for sales order processing, purchase order processing, accounts receivable, accounts payable, fixed assets and inventory. Changes to these core systems cannot be made quickly or

Many companies rely on accounting software developed years ago in technologies now obsolete. The design details of these "legacy" systems often become obscured and programmers are reluctant to make changes because of the risk of crashing the entire system or generating errors in other programs.

Modification becomes more complicated when a company is using a number of systems. Only a minority have so-called "integrated" accounting software, which uses accounting conventions. Another reason why time is short is the chronic shortage of skilled staff which already inhibits companies' ability to develop new computer

There are software packages on the market designed to cope with the new requirements, but companies cannot simply buy their way out of difficulty by lastalling a package. Software of this kind needs data to process and the only place this can come from is the corporate accounting system.

Companies which have yet to prepare for 1993 have three options, other than modifying their existing · They can write, or have written,

a special piece of software which will accept data from their existing accounting system and turn it into reports acceptable to the Customs authorities. This could cost between £5,000 and £80,000. They can buy a cheap and cheer-

ful software package which will generate the appropriate VAT returns. The data will have to be keyed in by hand, however, which will be costly in time and money. • They will have to prepare reports manually or pay an agent to do the job for them.

VAT reports can be submitted on paper, on half-inch magnetic tape, 3.5 inch diskettes, or via electronic data interchange - a range of options which some firms may find

Alan Cane



only the movement of goods between DEC countries. The present rules and systems will remain for all

imports and exports of goods from not be affected.

importing from both EC and with at least two separate systems. A non-EC business, which owns goods located in the EC and sells invoicing company.

Until now. EC tax authorities ment for payment of import VAT, ises of the importer and exporter.

non-EC countries; services, except for those such as transport, freight handling and similar services, will Businesses exporting to or

non-EC countries will have to cope across EC borders, will also be. affected, even if it only acts as an

have controlled the payment of VAT due by monitoring each shipment of imports. But with the removal of border controls, this will no longer be possible; instead, the controls, including the requireare being transferred to the prem-

The 1993 VAT changes will affect

to apply the reverse charge to the in other words, grossing up both

requirements.

sides of its VAT account. all VAT paid, there will be no cost

UK supplier. A UK company importing goods from other EC countries will have strated that the goods have left the a governmental organisation, then

make one set of amendments to the system.

there would only be the need to

This is despite the fact that the new VAT legislation is still not

An accountant explains the details

On your marks for the great tax paperchase

John Arnold looks at how the changes will affect European and non-EC companies alike

other EC countries exceeds the

local annual limit, which must be

at least Ecu10,000. Once the cus-

tomer has registered, the procedure

value of all its imports. This procedure (which already applies to many services) involves the company charging itself output tax and, at the same time, taking relief for the same amount of input tax -

In addition, the company would

have to maintain only one system

to process data for single market

requirements and if changes were

Harvey Collyer: opted for centralised approach

For a business which can recover with this procedure. But partly-exempt businesses, such as banks and other financial institutions, which cannot recover all their input VAT, will suffer the same VAT cost as if they had acquired the goods from a

A UK supplier exporting to another EC country will need to obtain the customer's VAT registration number (if the customer is registered for VAT) and quote it on the

This procedure applies not only to "sales" in the conventional sense, but also to many other crossborder movements of goods, such

as transfers between branches within the same legal entity. If the customer is not registered for VAT, is a private individual, and the UK supplier arranges delivery or transport, then the supplier will charge UK VAT on exports up to an annual limit per country of

Ecu 35,000 (about £24,500) or Ecu 100,000. Over that limit, the supplier will have to register for VAT in the customer's EC country and charge "local" VAT. EC countries are able to choose which limit to apply, and it appears currently that most will go for the higher. If the non VAT-registered cus-

will be the same as for any other VAT-registered customer; below that level the UK supplier will have to charge UK VAT. There are also special export rules which principally apply to new cars, boats and small planes, and require the purchaser to account for VAT in the EC country

of use. As a further control, exporters such zero-rated sales per customer and per country on a quarterly listings with the tax authorities in other EC countries.

will have to submit to Customs & Excise aggregated listings of all basis. Customs will exchange these

excess of £135,000 a year will also have to provide detailed trade statistics on a monthly basis. Each item exported in the month must be aggregated according to the Customs Tariff commodity code and then a further 10 separate pieces of information supplied per code. The return is due within 10 working days from the end of the month.

This will be a particularly onerous requirement for businesses, many of which have hitherto relied on freight agents to compile and submit the documents. Freight agents can of course continue to be used, but the information will have to be aggregated, and this could cause problems where more than one agent is involved.

But that is not an end to the charge VAT in another EC country. under discussion.

UK, the supplier will be entitled to zero-rate the transaction.

it will have to register locally if the paperwork. Importers and export la addition to the circumstances level of its imported goods from ers with annual intra-EC trade in already described, this is most likely to occur where the business holds stock in other EC countries or is involved in "triangulation". This occurs where the invoicing

route does not follow the movement of the goods, for example where A sells to B who on-sells to C (who are all in different EC countries) but the goods are transported directly from A to C. Many multinational companies operate in this

The UK and some other EC countries are pressing for simplification measures in order to avoid a multiplicity of VAT registrations across the EC.

The UK and two other EC countries have provisionally introduced their own simplification measures. Many businesses will, for the and are pressing for their adoption first time, have to register and across the EC, but this is still

Registration is a complex administrative and compliance burden, with additional costs arising from multi-currency and multi-rate VAT invoicing in another language. Tax representatives or fellow-subsidlaries may be used as agents. although local subsidiaries may not be able to cope with their current resources. Registration can also bring direct tax problems as well as considerable cash flow costs in countries such as Italy if the business is to be in a VAT repayment

There are, as always, penalties both in the UK and elsewhere for compliance failures. But the biggest risk for exporters is that if they fail to obtain and quote their customers' foreign VAT registration number and retain proof that the goods have left the UK, they will be liable for UK VAT at 17.5 per cent. Proof of export from the UK will not be easy where the customer arranges the transport. While Customs have suggested that a deposit for the UK VAT could be required from the customer, this

may be difficult commercially. The author is a tax partner with Coopers & Lybrand and chairman of their European VAT network.

Why lawyers should consider consultancy

By Richard Susskind

extend the range of topics on which they feel qualified and competent to advise.

One natural development will be the provision of con-sulting services in fields of expertise in which competence has already been established within their own firm. If a firm has invested heavily

for internal purposes in areas such as information technology, marketing, human resources, training, recruit-ment and administration, it can recover that expenditure not only through the cost savings and enhanced performance that would normally be expected, but also by selling on that expertise

The potential clients for

Increasingly, corporate clients in particular have been asking for a more proactive approach

these services are legal departments of companies, other professional service providers, public sector lawyers, legal advisers in Europe and elsewhere, and even other local

This last eventuality is perhaps the most iconoclastic, in that it may seem wrongheaded to be helping one's competiors. However, the business benefits of advising potential competitors may outweigh the advantages of withholding such advice (given also that the advice will inevitably be

obtained from other sources).
There is a second and more subtle way in which lawyers might move into consulting through the provision of legal services proactively, using techniques and adopting a perspective that would normally be regarded as the province of

Traditional lawyering is

n the increasingly com-petitive legal marketplace. lawyers are seeking to with their perceived legal problems and the lawyer then reacts to them. There are two well-known difficulties with this approach: first, by the time the client perceives a problem it may well be too late; and second, it is unlikely

that clients will be able to perceive all their legal problems. Increasingly, in recent years, corporate clients in particular have been asking for a more proactive approach.

In dispute-oriented work, the theme of proactivity is that of dispute pre-emption rather than dispute resolution; while, in transaction-based activities, lawyers will be retained not just to crystallise in legal terminology a deal already agreed on by the parties, but as advisers on all legal risk manage-

Many lawyers will claim that they are already proactive. Most are not. Nor can they be until they change their working practices radically. Genuine proactivity goes beyond the ad hoc foresights of a bright lawyer. It requires the deployment of techniques (often based on information technology) similar to the more structured and formalised process and procedure developed for other tasks by the first-rate consulting practices.

Not until these techniques are established and are being injected by lawyers into the hearts of organisations and at key points in the life cycles of all relevant projects can lawyering sensibly claim to be Comprehensive (often auto-

mated) audits and health checks will be compiled to assist in surveying the general effectiveness and efficiency of clients' legal affairs, looking at matters such as exposure to liability, preparedness for litigation, soundness of document management practice, quality of standard form contracts, and the mechanisms in place for the identification of legal prob-

Additionally, these audits

will assess whether clients comply with relevant regulations (for instance, EC direc-

Legal .risk management methodologies will also become the order of the day, akin to those already used by consul-tants in risk assessment generally. These methodologies will stipulate, in advance, when and what legal precautions and measures should be adopted by clients to help them identify, manage and control potential legal risks; and the teachings of these methodologies will be integrated with wider corpo-

rate practice. Clearly, a shift towards proactive legal consulting of this sort will require lawyers to reorientate themselves, using a more familiar analogy, from practitioners who cure diseases to those who administer a more preventative medicine. This demands that lawyers release themselves from the confines of considering the particular consequences of highly specific facts to functioning (as legal academics have always done) at a higher level of generality by considering the implications of a wide panoply of potential scenarios,

Whatever the future of consulting by lawyers, comparisons between the accounting and legal professions are inevitable, not just because the former has borne substantial management consulting practices but also in light of accountants' admirable record of recognising and exploiting commercial opportunities often only loosely related to their

risks and opportunities.

There are lessons here for lawyers. One is that the marriages of accounting and consulting practices have not always been entirely happy (in forms firms not least because consulting has not been profit-

Although both accounting and consultancy services tend to be provided under the same corporate label, there are clear cultural differences between the groups that provide the two sets of services and cross selling and collaboration opportunities are exploited far less frequently than might be expected. More vigilant human resource management by lawyers at the outset may ease

Another lesson for lawyers relates to the accounting giants' ability to recognise commercial opportunities and to marshal formidable resource in quick exploitation a canacity of which lawyers have been simultaneously distrustful and

Taxation, trusts and insolvency work are the best docu-mented illustrations or markets being taken from the legal profession on the strength of this entrepreneurial flair. But the field of data protection offers a more powerful

Another lesson relates to the accounting giants' ability to recognise commercial opportunities

example: when in 1984 a piece of legislation was enacted governing the pervasive practice of processing personal informa tion electronically, the major-ity of the legal profession awaited instructions from clients in the time-honoured reactive manner while the market was largely captured by the accounting and consultancy firms who met the real busi ness needs of clients.

In a daunting barrage of pro-fessional proactivity in a field beyond their mainstream business, these accountancy firms provided consulting services in precisely the way that lawyers can and should today in many other areas of business.

The author is head of consuiting at Masons, solicitors in London, and visiting professor to Strathchyde University's Centre for Law, Computers and Tech-

Alexander squares the circle

Stephen Alexander – who revolutionised tea drinking habits through introducing the round tea bag – has been appointed managing director of Lyons, the company's manu-facturing sector, at the youth-

Alexander modestly denies having invented the round tea bag. He says he was "the guy lucky enough to have approved" the invention of the round, as opposed to square, tea bag, one of Allied-Lyons' most successful ventures of recent years. "Ian Prutton, the deputy marketing director and

Bob Hodges, his managing director, at Lyons Tetley take the honour of inventing it," says Alexander. The round tea bag was

launched by Tetley in the south of the UK in mid-1989 and has been "a tremendous success", he says. According to Alexander, "the

tea market is a very conservative market place, where nor-mally one was used to looking at market share movements of decimal points. Tetley round tea bags put on a full five points of market share, and the Tetley and the Quick Brew tea available in round form". Alexander, a Cambridge University law graduate, joined Allied Lyons in late 1982, starting out by running the export side of Lyons' tea business. He went on to run Lyons' ice-cream business and went on to the board of Lyons in

He is appointed to the new position from November 2 and will take over responsibility for the food sector when David Beatty, Lyons' deputy chairman, retires at the end of Feb-

appointed md of systems and

communications at BAIN

CLARKSON Ltd; he moves

■ Edward Rossdale has been

appointed group md and Nigel Webb group administrative director of BYAS MOSLEY

■ David Meldrum, general manager of GRE's financial

services division, and Martin

GRE Asset Management, have

Lister (below), a director of

from American Express.

GROUP Ltd.

March 1988.

following the departure of Marcus Plantin to be ITV network director. ■ Sandy Callander, sales and marketing director, has been appointed to the main board of John Carr Group, part of the RUGBY GROUP. Anne Marie Millar has been promoted to finance director for REGIONAL RAILWAYS; she succeeds David Rutherford who has moved to Railfreight Kevin Llewelyn-Evans, formerly head of corporate audit at Booker, has been appointed finance director.

■ Nick Elliott, md of LWT

Programmes, is appointed to the board of LWT (HOLDINGS)

and Pedro Ibeas, formerly director of Zaragoza region, as operations director, at DIGSA, ASHLEY GROUP's Spanish supermarket business John Benson, formerly group director of human resources of Dowty, has been appointed director of human resources for PILKINGTON. James Fulton, formerly president of BTR Clarkson Group, has been appointed ceo

of Babcock Industries Inc USA. part of FKL John Ray has been promoted to operations director for T COWIE's motor division.

'Getting it

The shake-up at Tenneco, the US conglomerate, following the appointment last May of Mike Walsh, its new chief executive. has worked its way down to Albright & Wilson, its UK

Dana Mead, 56, a three-spor

Walsh.

He replaces Allen McInnes, a Tenneco executive vice presi-dent and board member, who resigned in July after 32 years with the company.

Another rung up the Wickes ladder

more time to spend developing

the company's core business in the UK and mainland Europe.

McGrath joined Wickes in

1987 following the acquisition

of the Builders Mate business.

where he was chief executive

and rapidly climbed the Wickes ladder overseeing the

opening of its 100th store ear-

Clark will remain with

lier this year

Bill McGrath, currently chaltman of Wickes retail roup, has succeeded Dick Clark as group managing director of the parent com-

Wickes, which operates a chain of highly successful DIY stores, was almost sunk last year following a disastrons diversification into the timber usiness but has since steadily lawed its way back from the

Wickes as a consultant helping McGrath can therefore to develop its operations in expect an easier ride than his new European markets,



Neil Utley, marketing and appointed deputy md and Paul Newton (above) finance director of HALIFAX INSURANCE. ■ David Skey has been appointed a director of the non-marine division of EW

PAYNE. Audrew Newman and David Glover have been appointed directors of RK CARVILL & Co Ltd.

o Steve Burridge, Chris McGloin and Chris Tangmai

have been promoted to directors of SEDGWICK JAMES (LONDON). ■ Jeffrey Thomas has been appointed senior the ALEXANDER HOWDEN GROUP.

Peter Anscombe has been promoted to md of BAIN CLARKSON in Canterbury. Raymond Liu, Margaret Nicol and Tracy Woods have been appointed directors of BERRY PALMER & LYLE. ■ Gordon Irish, secretary of the Association of Deposit Societies, has been elected chairman of the FRIENDLY SOCIETIES LIAISON COMMITTEE.

■ Nigel Christian has been appointed an executive director and Simon Bishop a director of BOWRING Roger Charlesworth has

been appointed marketing director of LEGAL & GENERAL VENTURES; he moves from Allied Provincial Securities. Alan Restes has ben

AGENCY

ability to raise L/Cs to provide impor

inence to Australian importers fo

uisly non-UK imports. Please reply

Brent Parior

rember needs confirmer with

seed agent visiting UK in



done' at Albright & Wilson

chemicals subsidiary.

all-state athlete, former West Point cadet, decorated Vietnam combat officer, PhD in political science at Massachusetts Institute of Technology, White House adviser, and former executive vice president and director at International Paper, has taken over as chairman of Albright & Wilson. He was appointed as Tenneco's president and chief operating officer "He's a get-it-done guy," says

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FINERVEY

Description of the Property of

MIGENENT

MacGregor Garages Ltd

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of the above company on a going concern basis. The company operates from a site in Poulton, near Blackpool as a main Vauxhall dealer.

■ Annual turnover → £3m.

OCTOBER 13 h

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AGENTS

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- Freehold site of approximately 2 acres, including office accommodation of 20,000 sq feet.
- Full service facilities including petrol.
- Substantial stock of wholesale spare parts.
- Well established with excellent local reputation.

For further information, please contact: James Gleave or Gary Houghton,

Tel: 061-200 0302. Fax: 061-200 0343

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ANDERSEN ARTHUR ANDERSEN & CO SC

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> **PRINTING & STATIONERY** BUSINESS

Bendles (Torquay) Limited

The Joint Administrative Receivers offer for eale the business and ets of this Devon based printing and stationery business which has

- Principal features of the business include: • furnover £1.4m
- extensive Devon client bose
 3 retail outlets
- 4,400 sq it printing works
- For further details please contact Alistair Grove or ian Walker at Cork Guily, Midland House, Note Street, Plymouth, Devon PL1 25J. Telephone: 0752 666888.

"HCS"- Motor Dealers

Cork Gully -

The Joint Administrative Receivers offer for sale the business and assets of

A well established garage business in the Poresmouth area trading from leasehold premises, currently operating a Toyota

- Existing 3,200 sq ft of modern well appointed showrooms, garage workshops and offices

 Forecourt turnover £1.25 million per annum
- Car Sales £6.8 million per annum
- Parts and service atmover £650,000

The transfer of the franchise agreement is subject to manufacturer consent. For further information please contact the joint Administrative Receiver R. Hocking FCCA or E. Blackwell FIPA of Stoy Hayward, Reading RG1 4RA. Tel: 0734 585466, Fax: 0734 567782.

STOY HAYWARD Howath

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NOTICE OF SALE ARAWAK CEMENT COMPANY LTD.

BARBADOS Dry process cement manufacture plant located in Barbados

 Capacity of 1,000 TPD clinker - Commenced trading in 1984

 Prescrilly owned by the government of Barbados (51%) and the government of the Republic of Trinidad and Tobago (49%)

Confidential offering memorandum may be obtained from: Office of Privatisation

Ministry of Finance & Economic Affairs Ground Floor, Insurance Corporation of Barbados building.

Rocbuck Street, Bridgetown, Barbados Tel: (809) 436-9773 Fax: (809) 429-4032/436-9280 PROPOSALS SHOULD BE MADE BY 18 DECEMBER 1992.

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The FT proposes to publish this

October 21 1992.

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Sara Mason Tel: 071-873 3349 Fax: 071-873 3064

Data source: * BMRC Businessman Survey 1990

FT SURVEYS

Touche Ross

gvaliable as a going concern.

approximately 60 employees.

tumover c 95m

Principal features of the business include:

service depots in Warrington and London EC2

Materials Handling Manufacturer

established 25 years
• Turnover £3 million - 80% Export

Exporter to the Far East and Europe

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ESTABLISHED SILK SCREEN PRINTERS

AND TRANSFER MANUFACTURERS

sets of R A James and Company Limited trading as Goldprint.

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Innovative design capability

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Robert Maturiewicz.

206 Derby Road, Nottingham, NG7 INQ. Tel: 0602 415312

Para: 0682 410193

leasehold premises in Weston-Super-Mare of 20,000 sq ff

Health and Beauty Equipment Manufacturer and Retailer for Sale

Lindsay Denney and Joe Atkinson, Joint Administrative Receivers, offer for sale the businesses and assets of a manufacturer of sun tanning equipment and retailer of beauty equipment.

[] City Centre Showroom.

13 Modern factory premises, approximately 6,000 sq ft, leasehold,

13 1992 turnover circa. £1.4m.

LJ Well established customer base with major mail order outlets.

[.] Approximately 13 employees. For further information please contact Lindsay Denney or

Sue Lewis at the address below

Murographics Limited

The Joint Administrative Receivers offer for sale the business and assets of this established company

3 divisions supplying: - print finishing equipment - lettering machines - presentation products

For further details contact R W Birchall FCA, The Joint Administrative Receiver at Cork Gully,

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS

Joioda

Offers are invited for the business and assets of the above company.

Enquiries should be addressed to Charles MacMillan or Philip Duffy at-

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Tolag Products & Company Ltd

(In Administrative Receivership)

The Joint Administrative Receivers, Len Gatoff and Ian Brown, offer for sale the business and assets of the above company.

- The company's business is precision engineering, specialising in CNC Turning, Milling and Drilling.
- □ Well established quality "blue chip" customer base.
- [1] Experienced well qualified workforce including quality control personnel.
- □ The company operates from two freehold factories including a well equipped 90,000 square feet factory in Cramlington. Northumberland.
- 17 Projected 1993 turnover in excess of £5 million.

For further information, please contact either W. Paxton or P. W. Gray at the address below.

93a Grey Street, Newcastle upon Tyne NE1 6EA. Tel: 091 261 4111. Fax: 091 232 7665. Authorized by the Institute of Chartered Accountative is Lindand and W.

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Greyshires (Building Supplies) Ltd

(In Administrative Receivership)

The Joint Administrative Receivers, A. P. Peters and J. B. Atkinson, offer for sale the business and assets of the above supplier of heavyside building materials:

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- ☐ Freehold premises in Wednesbury, West Midlands and Cannock, Staffs within a close proximity of the motorway network.
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- Extensive customer base.

For further information, please contact Andrew Peters or Greig Mitchell at the address below.

Colmore Gate, 2 Colmore Row, Birmingham B3 2BN. Tel: 021 200 2211. Fax: 021 236 1513.

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★ Turnover circo £1.8m

★ 247 covers

* Brasserie, restaurant and

BUSINESS - CHELTENHAM Outstanding shop premises with function room attractive 2 bed flat in heart of ★ Office accommodation above

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SAN CARLO

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situated in a prestigious residential area in Highgard Village and comprises: * Turnover circa £380,000 pa

* 70 cover Italian Restaurant

with bor area and potio

* Residential/office

accommodation above

Offers will be considered for the group or for Individual units. For further information please contact Michael Stevenson or Simon Lumsden at the offices of Smith & Williamson on 071 637 5377, No. 1 Riding House Street, London WIA 3AS. Fax: 071-323 5683.

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Cutlery Manufacturer Sheffield

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● Leasehold Manufacturing premises in Sheffield Leasehold retail shop units at Meadowhall, Sheffield and Metro Centre

Three store concessions

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Prestigious customer base

For further details contact the Joint Administrative Receiver: Geoffrey Gee Grant Thornton, 28 Kenwood Park Road, Sheffield \$7 1NG.

Tel: 0742 687736 Fax: 0742 687838. Grant Thornton ■

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Helitron Ltd (In Administrative Receivership) The Joint Administrative Receivers offer for sale the business and assets of Helitron Ltd The

cumpany manufactures golf bags and associated products together with sun beds Annual turnover approximately £1.5m

Leasehold premises in Wolverhampton and Smethwick, West Midlands for further details please contact G Ord,

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(In Receivership)

Livingston, Scotland

This light engineering fabrication factory mainly provides services to the U.K. off-shore oil industry.

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Oczabar 1992 at 11.00 am for the purposes Hebel, Park Place, Cardill on Wedensday 21
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Act, via: (i) to have laid before it the
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thought fit, to establish a creditors committee.
Creditors wishing to wose at the smesling must
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Cock Gality, Charchill House, Churchill Way,
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must give particulars of their security and in
value if they wish to vote at the meeting.
DATED this 7 day of October 1992

I P Consisting
John Administrative Receiver.

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£150,000,000 Floating Rate Notes Due 1997 In accordance with the terms and conditions of the Notes, the interest rate for the period 12th October, 1992 to 12th January, 1993 has been fixed at 8.81959% per annum. The interest payable on 12th January, 1993 against Crupon 8 well be 523 27 and 1993 against Crupon 8 against C

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Outce this 7th day of October 1992

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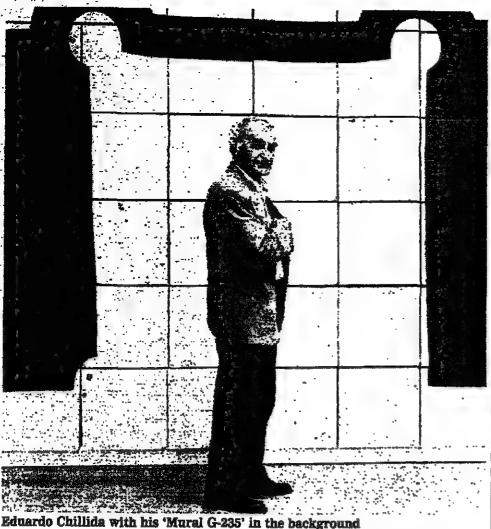
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OTICES



Imaginative implication of the monumental

he Catalan sculptor, Eduardo Chillida, is now at 68 firmly established as one of the great artists of the postwar period, widely and regularly exhibited on the continent and in the US over four decades. Yet in Britain one would hardly know it, until the autumn of 1990, when the South Bank Board made magnificent amends in giving him a full-dress retrospective at the Hayward. Yet even then an exhibition as physically beautiful and impressive in its instal-lation was shamefully neglected critically and under-visited. Any Chillida show is therefore still a major and remarkable event, and this at Annely Juda, only the fourth in London in his long career, all the more to be welcomed.

This present show of recent work is entirely in the character of the whole oeuvre. It includes nothing on a truly monumental scale, yet the freestanding pieces are weighty enough, and even the tiniest of the maquettes, or the most delicate of the paper reliefs, carry all the imaginative implication of the monumental. And it is all extremely beautiful.

He is a carver and a modeller, never the assembler or collagist, even though much of his material may only be cut or bent by the heaviest industrial equipment. The sense is always of the object made directly under the artist's own hand. The imagery is nominally abstract and unspecific, referring to nothing outside itself, yet the carvings offer spaces to enter and inhabit in the imagination, the metal arms and fingers writhe and twist, inviting a real embrace. Human in scale, directly active and physical in their engagement, humane in all their connotations and suggestions, these things tell us that nothing that touches our experience can be truly abstract.

the problem? To be accepted as the thoroughly modern artist in official eyes, must one stand back from the material and the making of the work and any intuitive development in favour of a coldly cerebral, theoretical engagement? But Chillida has ever been his own man, a thoroughly modern artist yet sublimely indifferent to the supposed imperatives, the ever-changing orthodoxies of avant-garde and critical fashion. Such is his strength, which is why he is so good and, in the longer term, will surely be seen to be so significant an artist of our time.

Igor Mitoraj, the younger artist by 20 years, was born in Germany during the war and William Packer dis-

cusses the sculptors Eduardo Chillida and Igor Mitoraj brought up in Poland. He now divides his time between Paris

and his studio at Pietrasanta, near the marble quarries of Carrara. He too is a carver and a modeller, and his work, currently on show at the Yorkshire Sculpture Park and three London galleries, is nothing if not figurative. He derives his imagery from classical example and is particularly intrigued by the isolated and portentous, often massive fragment - the foot of some vanished colossus or perhaps the mask, the "shattered visage" of old Ozymandias , with its frown, and wrinkled lip, and sneer of cold command". A head is draped and bound into anonymity: a group of heads, broken and split, gaze calmly out upon the world; a headles torso in its breastplate rises monumental on its high plinth: androgynous angels stand quietly together; a high-stepping centaur, a head peering from

its belly, strides out across the hillsida This is neo-classicism

revived not as principle but as romantic day-dream that frequently comes perilously close to kitsch indulgence and sentimentality. Mitoraj is no Canova, and the marble carvings especially have much of the quality of Victorian funerary statuary, more worthily competent that convincing. And yet there remains a certain imaginative potency that, in the more successful pieces, is very

There is much in all four shows for an English sensibil-

ity to resist, the slickness the overall air of cultural chic. But the prejudice should be resisted, for it is unfair. As a modeller, in the terracottas and the cast bronzes, Mitoraj shows himself to the greater advantage, especially so in the more intimate pieces. The touch is sure and lively, the observation acute, the realisa-tion, for all the symbolic adaptation, distortion and fragmentation, close to the physical reality presence of the human model. It would seem that in this newest work, despite all the success of public commissions on the largest scale, Mitoraj is still growing rapidly as an artist and moving in unex-pected directions. These several shows make us look forward to whatever comes next.

Eduardo Chillida: Annely Juda Fine Art, 23 Dering Street W1. until November 14: Igor Mitoraj: Yorkshire Sculpture Park, West Bretton, West Yorkshire, until spring 1993; supported by The Henry Moore Founda-tion, Visiting Arts & the Euro-pean Arts Festival; also at the Academia Italiana, 24 Rutland Gate SW7, until November. supported by the Arts Council of Great Britain; the Berkeley Square Gallery, 23a Bruton Street W1, until October 14: the Economist Plaza, St James's SW1, until December.

Nureyev's 'Bayadère' just hints at riches

Clement Crisp attends the opening performance of the Paris ballet season

Paris Opéra on Thursday night with Rudolf Nureyev's production of Petipa's Indian spectacular, *La Bayadère*. This has been a long-cherished project for Nureyev, but in view of his ill-health the staging can best be considered a sketch of what he might have achieved under happier circumstances. With sets by Ezio Frigerio and costumes by Franca Squarciapino, it looks opulent enough to have emptied a Rajah's treasury down to the last emerald. In interpretation, though, it only hints at riches: the Opéra dancers don't yet know how to wear these jew-els of dance and drama.

When Nureyev first mounted part of Bayadère in the West he put on the "Shades" scene for the Royal Ballet in 1963 - he was giving us the best of the work. The rest had been much edited and revised in Leningrad, with a massive cut in 1919 when post-Revolution-ary stringencies lopped off the last act so that the story lost its denouement. Six subsequent producers laid hands on the text; what we see today at the Kirov Theatre is far from Petipa's original. It is nonethcless sustained, given credibility, by weight of performance tradition and the immense dignity of the Kirov dancers' style. We believe, because their every action speaks of belief.

For Paris, Nureyev has reproduced the Kirov version, with the assistance rina Ninel Kurgapkina. He had intended, I believe, to provide his own recension of the lost fourth act — as did Natalya Makarova in her "complete" staging which we know with the Royal Ballet and with American Ballet Theatre - but circumstances precluded this. There are, otherwise, only a few small additions owed to Nureyev; the Minkus score (replete with those traditional Hindu waltzes) has been lightly cleaned by John Lanchbery, and is admirably played under Veilo Pahn's baton.

When he became director of the Opera Ballet in 1983, Nureyev put on Raymonda as his first production, and inculcated in his casts a sense of the

harmonies of Petipa style which gave a commendable seriousness to the ensemble. This quality was too little apparent in the new Bayadère. Save for Elisabeth Platel's Gamzatti and Laurent Hilaire's Solor, interpretation was light-weight, self-centred. Visual extravagance seemed to underline a lack of faith in the text, as if luxury would impress where performance failed, and gorgeous trappings disguise a dramatic void. Prigerlo has provided grand and somewhat claustrophobic settings for the Rajah's palace, and an oppressive facade for the temple in the crucial first scene, (Pier-Luigi Samaritani's painted back-cloths for Makarova's staging are to be pre-ferred. B They show the locales specified in Petipa's original libretto, and echo the production strategies of the Kirov version - whose ravishing scenery dates from 1900). The jungle vista in which Frigerio places the Shades is, however, most poetic; and Solor has a splendid property elephant - as in

Petersburg – for his entrance in Act 2. Franca Squarciapino has plundered the east for fabrics, and for decorative ideas - the priests wear what look like small golden Burmese temples on their

heads. Silk and sequins, gold thread and pungent Indian dyes, gleam and blaze; fantasy rather than historical probability is the key. Thus accounted, the Opera dancers turn drama into a dress parade. Wearing tinsel and glitter, they propose tinsel and glitter in playing. A Russian Nikiya, emerging from the temple for the first time, carries her fate and the whole action of the ballet with her, as we known from Makarova and Asylmuratova. It is this vital sense of purpose that must now be given to the Opera casts as they start to explore La Bayadère. On Thursday the soloists in the Grand Pas and in the Shades scene offered vivacity instead of harmony; the Chief Brahmin was petulance incarnate; the Rajah had the nobility of a used-car salesman involved in a dodgy deal. Of course, in physical expertise and elegance of manner the Opéra dancers are magnificent; their redoubtable skills, though, seem hardly to impinge upon La Bayadère.

The Nikiya was Isabelle Guérin. Her reading was conscientious, but the heart of the role was untouched. (I wish she could see the spiritual fervour that fires Asylmuratova's playing.) Even her

superbly easy account of the Shades scene was oddly unmoving, poetry lost amid flawless pirouettes. Happily, Elisabeth Platel has the physical and emotional assurance that bring Gamzatti to life. Whether glaring balefully at the end of the first act as she meditates vengeance on Niklya - curtain-fall frozen by ber basilisk gaze - or showing a radiant assurance in the Grand Pas, she is a fine Solor, bold in presence as in dance, and with a refinement of manner that compels our belief in this warrior

West, the power of ballet's traditions has ever concerned Nureyev. In La Bayadère, as in his other classic stagings, he asserts the continuing potency of the old repertory and of the academic style. In this last gift to the Opera, he reaffirms his concern: his dancers have vet to comprehend the grandeur of the example he has given them.

La Bayadère continues in performance at the Palais Garnier, Paris, until the



Elisabeth Platel: she has the physical and emotional assurance to bring the role of Gamzatti to life

Concerts/Max Loppert

Latin-American fiesta

Columbus's arrival in the New World 500 years ago may not have been a cause of unequivocal celebration in the world outside, but in the world of music it provided the excuse for the presentation of New World-related compositions in big, enjoyable splashes. On Sunday — Columbus Day itself — Radio 3 devoted 14 hours of

its schedule to a continuous stretch of live concerts from around the world; the chamber group Lontano, on air from London from two to three in the afternoon, made their contribution (of music by Villa-Lobos, Revueitas, Chavez and Roldan) the climax of a fourconcert series entitled "A Fiesta of Latin-American The theme of this series,

devised by the Lontano conductor Odaline de la Martinez, was the exploration of the musical relationship between the European and American enitures – a theme loose enough to allow an easy mix-ture of styles, with brightness of colour and sharp rhythmic definition as common inciers. On Tuesday at the ICA, in a programme featuring the American Betsy Schramm, the Argentinian Michael Rosas Cobian and the first two parts of Colin Matthews's impressive chamber epic The Great Journey, Lontono made a par-ticular success of Going with the Grain (1991), for solo marimba and small ensemble, by the young English com-

poser Martin Butler.

Rio, a highlight of the 1991 Albert Hall Proms series, this niece delights the ear through the sway of gentle syncopated rhythms — identifiably if not pin-down-ably Latin — and the parallel tensing-out of seductive colour-patterns. It is a kind of concerto for marimisa (brilliantly played by Richard Benjafield) without the element of buttle between soloist and accompaniment usually associated with the concerto form; and its exoticism is fully absorbed into the fabric of the invention, not facilely tacked

On Saturday at the Queen Elizabeth Hall, Lontano were joined by the London Chamber Symphony for the third (1938) of Villa-Lobos's Bachianas Brasileiras - the one with an elaborate solo piano part (played here by Gilberto de Matté) - in which jungle birdsong and neo-Baroque musical forms achieve a rancously

appealing marriage.
The British premiere of Algebra on Fire (1991) by the Brazilian Alejandro Viñao attempted an analogous confrontation of modern technology (including a role for com-puter) and instrumental ensemble - of, as it were, European rational discourse and Latin irrational imagination. The experience, full of dramatic potential and dark, fiery textures, was hampered by the recourse to amplifica-tion, which rendered every-thing monochromatically load.

At the Barbican on Saturday, Simon Rattle and his City of Birmingham Symphony enjoyed another of their resounding triumphs. The pièce de résistance was Szymanowski's Violin Concerto no. 1, with Thomas Zehetmair as a superb soloist, but the other performances on offer were anything but mere fill-ups. In particular Bartok's Concerto for Orchestra, nowadays a familiar war-horse, galloped into newly vital life. Rattle had ensured maximum horsepower for it: taneine ceilos, for example! which paid sonorous dividends in the crucial low-string recitatives. His own imaginative wrestling with Bartok's score secured prizes beyond the

merely aural. I should reckon Rattle's account of Mozart Symphony no. 39 as carrying roughly 21/4 times the communicative power of Previn's performance with the LSO a week earlier. That was "respectful"; by contrast Rattle and the CBSO were lithe and constantly alert. every movement stamped with

As for the Szymanowski concerto, Zehetmair and Rattle gave it the rapturous shove it deserves toward the permanent repertoire. Some years back, William Mann described it as the most sheerly beautiful music ever written. In a performance like this, it seems just about that: not only because Szymanowski's opulent orchestra is so exquisitely balanced against the soloist's exacerbated lyricism, but because the score is so cogently knit around its hyper-poignant har-

monic podes Zehetmair was cagey about

Barbican triumphs for Rattle and

Uchida those. With the recurring "motto" theme - a descending five-note phrase which takes a heart-stabbing upward wrench toward its sixth note - he played mock-innocent: no freighting of the final note. which he left the orchestra to colour. Otherwise he sang out with thrilling confidence, eloquent in the high ledger-lines and commanding in throaty, rough-bowed passages at the lower extreme, appealingly

Under Rattle the orchestra matched him, though in a bright-eved, hard-edged focus that lost the ultimate degree of heady suggestiveness. We ought to be seduced, not rampantly overwhelmed. Yet Rat-tle remains our leading advocate of Szymanowski's cause for he gives the music full value as music, and not just as a musical equivalent of nitrous orida

David Murray

The Barbican Hall remains an unfriendly place in which to hear pianists, diffuse and hard to focus, but Mitsuko Uchida's recital there on Sunday afternoon was an unqualified delight. There are few contemporary pianists whose encounters with untried works are so eagerly awaited as hers; every item she adds to her programmes becomes a voyage of

discovery which carries its own invitation.
On this occasion the

unknown territory was the expanses of Schubert's G major Sonata; Uchida's performance, complete with exposition repeat, was the focus of the second half of her recital. It was unfolded as a sequence of beautifully fashioned panels. The first movement, taken at a very broad moderato (though with nothing like the slowness of Richter's famous performance), emerged with perfect naturalness, the Andante stirred into fierce life for its central section, the minust enclosed a trio of musical-box delicacy; each reprise of the final rondo offered a different perspective, a change of light-

Immediately before the Schubert Uchida had played Webern's Variations Op.27. gradually building the tension until she could diffuse it all magically in the coda, and after it offered as an encore another perfectly chiselled miniature, the second of Schoenberg's Op. 19 set. The first half of the recital had been devoted to Beethoven and Schumann - the E minor Sonata Op 90, launched with tremendous élan and carried along in a series of bold imaginative sweeps, and + Carna-val + conceived, it appeared, as a single seamless span that scarcely paused for reflection. On this kind of form Uchida Is the most irresistible Schumann player imaginable, every musical image burnished bright and laced through with the most intense threads of lyricism.

Andrew Clements



Does this reach to the nub of

■ BRUSSELS

Palais des Beaux Arts 20.00 Paul Daniel conducts Orchestra of the Monnaie in works by Ravel, Jonathan Harvey and Berlioz. Fri: Nikolaus Harnoncourt conducts Chamber Orchestra of Europe in works by Beethoven, Haydn and Schumann, Next Tues: Yehudi Menuhin directs Camerata Lysy (507 8200). Oct 27 in Monnaie: first night of new production of Un ballo in maschera (219 6341)

■ CHICAGO OPERA

ه خورا در این است

Tonight's performance in the Civic Opera House is the final one this season of Rossinl's Otello. Tomorrow and Sat: The Bartered Bride with Barbara Daniels and Neil Rosenshein. Fri: Elektra with Eva Marton, and Leonie Rysanek. The Smetana and Strauss continue in repertory till the end of the month, when William Bolcom's McTeague receives its world premiere (332

CHICAGO SYMPHONY Neeme Jārvi conducts concerts in Orchestra Hall on Thurs, Fri. Sat and next Tues, featuring works by Martinu, Eller and Dvořák. Erlch Leinsdorf conducta the following two weeks of concerts (435 6666)

LYON

Auditorium Maurice Ravel Tonight, Fri and Sun: Kent Nagano conducts Kiju Yoshida's Opera de Lyon production of Madama Butterfly, with Michle Nakamaru and Richard Stilwell. Oct 22, 23, 24: Martha Argerich is piano soloist with Orchestre National de Lyon (7860 3713)

■ MUNICH

OPERA/BALLET Tomorrow and Fri in Cuvilliès-Theater: staged performances of Mozart's Apollo et Hyacinthus and il sogno di Scipione. Next week: choreographies by Uwe Scholz and Hans van Manen. Sat and next Wed in Prinzregententheater: concert performances of Verdi's Otello

(221316)CONCERTS Herkulessaal der Residenz Éliso Virsaladze gives a piano recital tonight at 20.00 (983898). Sat: Handel's Messiah. Sun: Haydn's The Seasons. Mon: Pekinel Sisters. Oct 27: Andrei Gavrilov piano recital (299901) Gasteig On Thurs and Fri. Lorin Maazel conducts Bavarian Radio Symphony Orchestra in works by Dukas, Prokofiev and Brahms

(48098 614). Sat: Jiri Belohlavek conducts Czech Philharmonic Orchestra in works by Smetana, Dvořák and Franck (983898). Sun: Hellen Kwon, Hans Peter Blochwitz and Harry Peeters sing opera arias. Mon: Justus Frantz conducts Sinfonia Varsovia. Tues: Emerson Lake and Palmer. Oct 22: Dave Brubeck. Oct 23: Keith Jarrett, Oct 26: Manhattan Transfer, Oct 28: St Petersburg Philharmonic (299901) THEATRE

The Kammerspiele repertory includes Ibsen's When We Dead Awaken, Shakespeare's Much Ado About Nothing and King Lear (23721 328). Deutsches Theater has the Maly Drama Theatre of St Petersburg in Gaudeamus (ends Sun), followed by the Broadway musical 42nd Street opening on Oct 23 (5144 360). The Residenztheater has Ibsen's Ghosts and Ariel Dorfman's Death and the Maiden (225754)

PARIS

DANCE Rudolf Nureyev's new Opéra Ballet production of La Bayadère can be seen at Palais Garnier till Oct 31. This week's performances are tomorrow, Thurs and Sat (4017 3535). Roland Petit's Ballet National de Marseille is in residence at the Opera Comique, daily till Oct 30 except Oct 19, 20, 25 and 26 (4286 8883). Oct 21-28 at Châtelet: William Forsythe's Frankfurt Ballet (4028 2840) Gwyneth Jones sings the title

role in a revival of David

And the second s

Pountney's production of Elektra tonight and Fri at the Bastille. The production runs with cast changes till Jan 25. Tomorrow, Thurs and Sat: Honegger's Jeanne d'Arc au bûcher. Oct 30: Cecilia Bartoli recital (4001 1616). Tomorrow and Fri at Châtel Dmltri Hvorostovsky sings title role in final performances of Adolf Dresen's production of Evgeny Onegin, conducted by Semyon Bychkov (4028 2840) CONCERTS Châtelet Schumann cycle: Trio

Fontenay plays piano trios tomorrow and Fri (at the Auditorium). Marek Janowski conducts the Orchestra and Chorus of Radio France in the oratorio Das Paradis und die Peri on Thurs. Jeffrey Tate conducts the Scenes from Faust on Oct 29. Other events: on Sat, Pierre Boulez conducts Ensemble InterContemporain. Sun: Modern Jazz Quartet. Next Mon: William Christie conducts Les Arts Florissants. Next Tues: Melos Quartet opens Beethoven quartet cycle (4028 2840) Salle Pleyel Thurs: Nikolaus Harnoncourt conducts the Chamber Orchestra of Europe in works by Haydn, Beethoven and Schumann (4661 0630). Fri: Zdenek Kosler conducts the Orchestre National de France In works by Smetana, Martinu and Dvořák, with violin soloist Josef Suk (4230 1516). Sun morning at Saile Gaveau: Tabea Zimmermann, accompanied by Tzimon Barto, plays viola sonalas (4953 0507). Next Tues: Andras Schiff plano recital. Oct 23: Alfred

Brendel (4561 0630)

THEATRE Three French-Canadian Shakespeare productions directed by Robert Lepage can be seen at Centre Pompidou over the next two weeks: Macbeth on Thurs, Fri and Sat, followed next week by Coriolanus and The Tempest (4274 4219). Bob Wilson's Gertrude Stein theatre piece Doktor Faustus Lights the Lights opens on Thurs at Théatre de Gennevilliers and runs daily till Oct 31 (4793 2630). A new production of The Lower Deaths. Maxim Gorki's portrait of misfits and failures in Moscow's squalor, is showing daily except Mon at Mogador (4878 0404). Edward Bond's new play The Company of Men, runs till Oct 24 at Théâtre de la Ville (4274 2277).

■ WASHINGTON

KENNEDY CENTER Jeremy Lowenthal gives a piano recital tomorrow evening in the Terrace Theater. Thurs: Guarneri String Quartet. Sat afternoon: plano recital by Gwendolyn Mok. Sat evening: the music of Benny Goodman. Sat evening in Concert Hall: Anne Sophle Mutter plays violin sonatas by Ravel, Schubert and Beethoven. Oct 21-25: Mark Morris Dance Group. Oct 24: James Galway. Oct 28-31 Washington Ballet, Nov 1: Itzhak Periman, Nov 4: Kirov Opera Orchestra (467 4600) BALTIMORE SYMPHONY Christopher Seaman conducts Brahms' German Requiem on Fri. Sat and Sun afternoon at Joseph Meyerhoff Symphony Hall. Oct 29, 30, 31; Zoltan Kocsis

plays Bartok's Third Plano Concerto (410-783 8000) JAZZ/CABARET Biues Alley Jazz Supperciub This

week: vocalist Karen Akers, daily from Thurs to Sun. Next week: guitarist Charlie Byrd (1073 Wisconsin Ave, in the alley, 337

Barns of Wolf Trap Thurs: Bill Frisell Band, modern jazz/rock guitar. Frl: Dirty Dozen Brass Band. Sat: John Eaton, music by Kern and Berlin, Sun: Barenberg, Douglas and Myer, acoustic bluegrass, jazz and classical. Music from 20.00 (703-218 6500)

ZURICH Opernhaus Tomorrow: Der

Rosenkavalier. Thurs, Sat and next Thurs: Semiramide. Fri: Die Zauberflöte, Sun: Il Pirata. Oct 24: first night of new production of Nutcracker (262 0909) Tonhalle Frans Brüggen conducts Tonhalle Orchestra tomorrow in symphonies by Haydn and Beethoven, Thurs: Howard Griffiths conducts Zurich Chamber Orchestra in works by Schoeck, Mozart and Schubert. Next week: Walter Weller conducts four concerts featuring music by Beethoven and Mozart (261 1600)

Schauspielhaus Tonight's performance is Shakespeare's A Midsummer Night's Dream directed by Peter Wood. Dürrenmatt's The Physicists is revived on Sun. A new production of Botho Strauss' play Kalldewey Farce opens on Oct 31 (221 2283)

European Cable and Satellite Business TV (all times CET) MONDAY TO FRIDAY

2000-2030, 2300-2330 World Bushness Today — a joint FT/CNN pro-duction with Grant Perry and Colin

Super Channel 0700-0710, 1230-1240, 2000-2040 FT Business Daily 0710-0730, 1240-1300 (Mon. Thurs) FT Business Weekly - global business report with James Bollini 0710-0730, 1240-1300 (Wed) FT Media Europe 0710-0730, 1240-1300 (Fri) FT East-

S*ky News* 2030-2100, 2230-2300 FT Businos

SATURDAY

em Europe Report 2240-2248 FT Report

0900-0930, 1900-1930 World Business This Week - a joint FT/CNN

Super Channe 0830-0900 FT Business Weekly

1130-1200, 1730-1800 FT Modia

Europe

RUMDAY 1030-1100, 1800-1830 World Busi-

S*uper Channol* 1900-1930 FT Business Weekly

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FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Tuesday October 13 1992

Lamont tries to clarify

"TRUST US," is what, in effect, the chancellor told the Treasury and Civil Select Committee yesterday. Trust us to bear down on inflation. Trust us to read the signs given by the monetary indicators. Trust us to exercise judgment wisely. But no British government can be trusted with the exercise of such complete discre-

The chancellor of the exchequer has ruled out return to the exchange rate mechanism (ERM) until several conditions are met, the most important being that "the requirements of German monetary policy and those of the UK must come closer into line", Official German interest rates may soon fall further. British monetary policy has already eased. The chancellor could soon decide that the "requirements of German monetary policy and those of the UK" are closer in line.

Would he be right to do so? Probably not, with equal emphasis on the "probably" and the "not". ERM membership has not provided the best possible monetary regime for the UK. But it might well be better than the policy that the government will actually pursue. Nothing in Mr Lamont's discussion stilled worries on this

Mr Lamont stressed that monetary policy has to be judgmental. He is right. But the more judgmental the policy, the more necessary it is for the policymaking institutions to be both focused in their goals and open in their procedures. A chancellor of the exchequer working through the Treasury cannot meet these

The addition of a target for inflation of 1-4 per cent hardly helps. It is worth remembering. after all, that the former chancellor. Mr Nigel Lawson, whose pollcles ultimately led to inflation of that might.

more than 10 per cent, announced in 1986 that he intended to eliminate inflation in the next parlia-

The gap between long-term interest rates on conventional and index-linked bonds - now some 54 per cent - makes it clear that investors do not trust Mr Lamont's 4 per cent target, let alone the 2 per cent he has set as his longer-term aim. They must be right not to do so.

So many targets - that for a balanced budget or, more recently, for zero inflation - have come and then gone. The government felt unable to raise interest rates in the summer to defend the ERM parity, even though the UK's inflation performance was still mediocre by European standards. Then. following the abrupt exit from the ERM, the chancellor cut interest rates as soon as he decently - or indecently - could. Above all, investors know that Mr Lamont is subject to flerce pressures to declare victory over inflation too

The only thing the government could plausibly do to increase its credibility is what it is apparently determined not to do: to the its own hands. The government's determination to avoid making the formation of monetary policy more independent lowers its credibility, makes the cost of achieving low inflation higher and so, in turn, renders the target still less

Whatever the rhetoric about a new, more open approach to policymaking, the UK is back to secretive choices, under day-to-day political pressures, among multifarious indicators, in the pursuit of imprecise goals. Existing institutional arrangements will not deliver the credible policymaking that the UK needs. It is time to shift to the kind of arrangements

A bluff too far

IF THE dire warnings currently his European partners want these emanating from Paris are any guide, the future of the world trading system now hangs on the whims of a million Frenchmen. That is only a mild exaggeration of the absurd backdrop to this week's farm trade negotiations between the European Commu-

nity and the US in Brussels. The grounds clearly exist for a deal on agriculture which would unlock the Urusuay round of muitilateral trade negotiations; if the talks fail, it will be due either to a failure of nerve by the EC or to the French government's fear of its farmers. For the sake of a world economy in which the prospect of a Gatt deal is a rare glimmer of light, they must be allowed to succeed.

Both the European Commission (anxious to demonstrate that the EC is not completely paralysed by its Maastricht problems) and President George Bush (desperate for a boost to his sagging political fortunes) perceive a narrow opportunity for a deal before the US presidential election on November 3. An agreement now on agriculture would in theory clear the decks for rapid progress on other out-standing Gatt issues early next year. Without one, the Uruguay round will - de facto if not de jure be dead, and a rash of tit-for-tat. trade wars will probably ensue.

Hence the shrill noises from France in recent days. President

talks to succeed, if only because a weakened Mr Bush will be more accommodating than a President

He is also in no doubt that a Gatt deal which includes a mandatory reduction in subsidised farm exports will enrage his farming community and make his Socialist government all the more certain of defeat in elections next March. His answer is to threaten to block whatever compromise is hammered out in Brussels.

Mr Mitterrand may be bluffing. Under the RC treaties, Community commercial policy is decided by a qualified majority vote. France can temporise in the hope that Germany will shy away from an intra-EC confrontation, but without German support, the only way France can stop this deal is by exercising a rarely used and legally questionable veto on grounds of vital national interest. It is hard to see how a group whose output accounts for such a tiny proportion of French GDP can plausibly be placed in that category

For the EC to retain any credibility as a body capable of concerted action on trade, the Commission and its other 11 member states must call Mr Mitterrand's bluff - if necessary by presenting him with a fait accompli. If in so doing they trigger a French veto, at least it will be clear where the

François Mitterrand knows that responsibility for failure lies. VAT headache

WILL THE taxman spoil the celebrations when the single European market comes into being at midnight on December 31? It seems likely that complex new value added tax (VAT) rules for intra-European Community trade will leave thousands of businesses around Europe with a corporate headache.

The problem arises because the abolition of customs checks at borders has brought about changes to the VAT rules and to procedures for collecting trade statistics. Companies will take over responsibility for administering VAT and gathering trade data.

Not only are the details of the changes highly complex, they are also being rushed through in a very tight timescale. The implications may not have been fully thought through and businesses

have very little time to adjust. The new rules are an uncomfortable compromise between the present "destination" system, which taxes goods at the import stage, and a fully fledged "origin" arrangement, which taxes goods when they leave the factory gate,

to be introduced in 1997. The transitional system was needed because EC governments could not agree on a closer harmonisation of VAT rates (the UK. for example, might have had to drop zero-rating for children's clothes and many food items). There were also doubts about the ability of some governments to operate the clearing house for VAT payments which would have been needed.

There is little that can be done at this late stage to modify the proposed transitional system, though business organisations must start now to plan for 1997.

Companies should give a higher priority at board level to prepar ing for the new regime, and concentrate the efforts of their computer experts on the complex modifications required.

The customs authorities have indicated that they will be understanding of genuine lapses by companies but in the UK, at least Customs & Excise has gained a reputation for hard dealing. Customs needs to be properly under-standing of the real problems busi-nesses will have to face.

Business organisations, for their part, must do more to make their voices heard in Brussels. If they had taken early, effective action when the VAT rules were under discussion they might not need to

be so vociferous now. Finally, ministers must take greater account of the needs of business when approving legisla-tion. The European idea has fallen out of favour with many ordinary voters. The last thing the Community now needs is to alienate businesses as well.

A control of the second of the



of St Louis on Sunday night but it will take a hatful of miracles for him to win White House. Bill Clinton does not

need divine interdent of the United States, but George Bush probably now does.

This is the safe conclusion from the first of the televised presidential debates, a process which has in the past proved influential in the selec-tion of the president. In part they are watched for the knock-out blow or the killer mistake, but they also constitute an opportunity for candidates to parade themselves and their policies. Within the constraints of having to answer every question in no more than two minutes, they served that purpose on Sunday night.

Absent the grand faux pas, what came across the nation's TV screens was a sitting Republican president who really does not think there is much chronically wrong with the country, an earnest Democratic challenger who believes government can help put right what is economically amiss and an indepen-dent stuffed with pithy aphorisms about impending catastrophe but whose solutions, beyond the summoning of innumerable task forces and town meetings, are a little

Mr Perot's performance has the potential once again to disturb the waters of what had increasingly seemed a still electoral pond, with Mr Clinton sailing serenely to vic-tory and Mr Bush slowly sinking. On Sunday, it sometimes seemed the little billionaire was intent on encouraging this progression, for most of his best one-liners were at the president's expense. Responding to Mr Bush's assertion of experience as a prime qualification for the White House, he tartly observed: "I don't have the experience of run-

ning up a four trillion dollar debt." Again, intervening in the only truly acrimonious exchange of the evening between Mr Bush and Mr Clinton, over the latter's role in organising protests against the Vietnam war in London 23 years ago, Mr Perot commented: "When you're a senior official in the federal government spending billions of dollars of taxpayers' money and you're a mature individual and you make a mistake, then that was on our ticket. If you make it as a young

man, time passes. But with lines like "we practise 19th century capitalism, the rest of the world practises 21st century capitalism". Mr Perot also succeeded in making both his opponents seem precisely what they are - professional politicians shaped by the status quo. To the extent that the public is fed up with politics as usual, as it clearly demonstrated by its early summer flirtation with Mr Perot, the blunt Texan again offered himself as a rallying point to the disaffected. The probability is that his stock is again on the rise.

polls, the critical difference between now and June, when he briefly led some national public opinion polis, is that most people have stopped believing that he can actually win. Moreover, the core of his support among the military, its veterans and the elderly, the majority white - constitutes a bloc that mostly votes Republican or does not vote at ail. This last mouth of the campaign may dispel the notion that he is a "quitter", but it remains hard to see

that it will amount to much more

As confirmed by the overnight

Clinton has survived the first presidential debate and remains on course for the White House, says Jurek Martin

Bush cues the St Louis blues



Talking heads: from left, Bill Clinton, Ross Perot and George Bush at the first televised debate of the US election held in St Louis on Sunday; two more televised debates will be held over the next week

than that, beyond the confines of particular states like his native

Still, it was Mr Bush who insisted that Mr Perot be a part of the bates, in the hope that he would shake up the political impasse. It was a gamble and it might be backfiring. It is possible that Mr Perot and Mr Clinton may end up splitting the movement for "change" but it is probably more likely that having to defend his economic management from attacks from two quarters will only put the president further on the defensive.

This is exactly where he cannot afford to be now. Just about the only offensive manoeuvre Mr Bush managed to spring on Sunday night was his sudden announcement that, if re-elected, he would ask James Baker to fix domestic affairs as he had succeeded in fixing foreign affairs. Later, White House officials started hinting that the current economic management troiks - Nicholas Brady at the Treasury, Richard Darman at the budget office and Michael Boskin, the economic adviser - was definitely on its way

None of this is new. Neither Mr Brady nor Mr Boskin expects to be in office in January even if Mr Bush wins, while Mr Darman's pitch has been thoroughly queered by a recent series of Washington Post articles, for which he was a prime source, detailing the bitter administration infighting over taxation policy. Even the "economic tsar" notion was kicked around prior to

the Republican convention in August, but was reportedly rejected

by Mr Baker as too gimmicky. Even now, it is not clear how firm the proposal is. After the debates, one Republican spokesman said the president was only thinking of putting Mr Baker in charge of domestic matters during the transition period between the election and inauguration in January, after which he would return to his old haunts in the State Department. Mr Bush himself said 10 days ago that that is what he wanted his old friend to do. Critics also had an instant field

One TV commentator wondered if Mr Baker would appear in the next debate, since it was apparent he

was the real president

day with the resurrection of Mr Baker. One TV commentator openly wondered if it meant that he, not Mr Bush, would appear in the second or third debate, since it was apparent that he was the real president. Mr Baker may tell all later this week when, after weeks of invisibility in the White House, he is emerging to give a formal speech. He was even interviewed on televi-

sion after the debate. More important was Mr Bush's inability to crack Mr Clinton's defences. Thoroughly prepared for

the predictable, the Democrat scored one of the more palpable hits of the night by recalling the record of Senator Prescott Bush of Connecticut. "Your father was right to stand up to Joe McCarthy; you were wrong to attack my patriotism. I was opposed to the war, but I love my country. And we need a president who will bring this country

together, not divide it.

Mr Bush never really got another opportunity to impugn his opponent's character or otherwise to rattle him. He was left with his stock campaign lines of optimism ("this country is not coming apart at the eams" and "we are still the envy of the world"), foreign policy achievement (most effective in defending his policies towards China) and the conviction that less government, not more, is what the country needs. But it was all the familian stuff that simply has not been working so far and, as the debate unfolded, Mr Bush, initially quite relaxed, became more petulant and repetitive. For the record, it should be noted that no questions about Iran or iraq were asked

As the favourite for the White House, Mr Clinton had, in a sense, most to lose on Sunday night, though his campaign consistently argues that by merely holding his own with the president he enhances his credibility. Certainly, by committing no serious mistake, factual or otherwise, he avoided the worst imaginable pitfall. He also treated Mr Perot rather gently, joining in his attacks on Mr Bush but saying

nothing that might be construed as critical of the independent candidate beyond the suggestion that he was putting too much emphasis on attacking the deficit and not enough on stimulating economic

Stl

In truth, Mr Clinton often looked tense, until he warmed up in the rense, until he warmed up in the final half hour, over-programmed and sometimes falsely folksy. But his purpose, successfully prosecuted, was to hammer away about the economy and the structural problems of the country, such as healthcare and education, to the exclusion of most else. When pressed on his credentials for the White House, he commented that "experience counts, but it's not everything" and that his experience "was rooted in the real lives of real people", not in the out-dated pre-cepts of the cold war and trickledown economics.

is message was of "change", not revolu-tion. He declined an invitation to criticise the Federal Reserve. saying its monetary policies "seem to me pretty sound". He doubted the US needed to maintain 150,000 troops in Europe, but said "we certainly must maintain an engage-ment there of, say, 100,000 or slightly less. He thought "economic security is a whole lot of national security". US ground troops should not be sent to Bosnia or Somalia, but "it is important to recognise that there are things which can be done", including a greater effort on refugees and consideration to ending the arms embargo on Bosnia. His best moments - and Mr Bush's worst - were on social policv issues like health, race and drugs. He cited facts and figures on

the unsustainable costs of healthcare, whereas the president devoted most of his answer to an attack on malpractice lawyers. He asserted his campaign had reached out across all racial divides, while Mr Bush merely complained that Arkansas had no civil rights act.

Mr Clinton said his brother's addiction to cocaine had given him a unique perspective and convinced him that legalisation was not the answer, while Mr Bush gave the impression that the war on drugs was making real progress. This left him wide open to one of Mr Perot's better ripostes. "There are guys, who couldn't get a job third shift in a Dairy Queen [a fast food chain], driving BMWs and Mercedes solling drugs and these old boys are not going to quit easy."

There are two more presidential debates to go, on Thursday and next Monday, broken up tonight when Vice-President Dan Quayle, Senator Al Gore and retired admiral James Stockdale, the running mates, have at each other. If Sunday was reasonably civil, the suspicion must be that the next confrontations will be much less so, for the very obvious reason that Mr Bush still has not found the key to rescuing his presi-

Since the start of September, his campaign has oscillated wildly between attempts at constructive criticism of Mr Clinton and, as this made no inroads, increasingly negative onslaughts on his character. Mr David Gergen, senior editor at US News and World Report and formerly in the Republican White House, commented recently that Mr Bush and Mr Baker seemed to have concluded that "if the mud doesn't stick, start throwing the sewage". The fact that this is not sticking either does not seem to be a deterrent to hauling up another

Joe Rogaly

Danger in delay



It is Mr John Major, not Mr Norman have been grilled by the Treasury select committee yesterday. For the economic strategy that collapsed on September 16 was the

prime minister's before it was the chancellor's. Both were wedded to maintaining the exchange rate with the D-Mark, but it was Mr Major's repeated public oaths of eternal fidelity to a magic number that made a voluntary sterling devaluation politically unthinkable. The chancellor could not make pre-emptive use of the flexibility designed into the exchange rate mechanism even if he had had the prescience to do so. The prime minister's pride was the one excuse Mr Lamont could not allow himself in his tele vised self-defence.

As the fits-and-starts search for a believable new strategy proceeds we are back to a further chapter in the same old story. It is once again Mr Major's weak political position that lies at the heart of the problem. Nobody who attended the Conservative party conference last week can have any doubt that the average Tory would rather see a return to higher rates of inflation than endure a further period of reces-sion. The small businessmen who march behind the Conservative banner want interest rates sharply down at once, even if that means the abandonment of monetary poli-cies aimed at holding the underly-ing rate of inflation to between 1 and 4 per cent. The prime minister and the chancellor are doubtless sincere when they say that keeping inflation low remains their top priority, but their supporters are clearly unwilling to take more pain.

The markets are aware of this.

That is why the events of Black

Wednesday took place. What

remains to be seen is whether Mr Lamont's current strategy, which is to read the newspapers in the morning and then decide what each new day may bring, will carry conviction. Yesterday he would not admit to any reason why it should not. As he reminded the committee, he has not so far strayed from the path of monetary rectitude. True, but "leave it to me" is no longer good enough. This is a circular argument, if the individual upon whose judgment everything hangs has the markets' confidence, his judgment will be effective. If not, not. But tuck does come into it. The markets can be moved by a variety of exogenous forces. If there are positive upwards movements in sterling and on the stock exchanges, for what-ever reason, that will be counted in

It is once again Mr Major's weak political position that lies at the heart of the problem

the chancellor's favour. If sellers predominate. Mr Lamont's tenure of office will be brought to an early end. Fate will roll his dice.

A strong prime minister, confi-dent of his own position and secure in the unity of his party, would not find it difficult to devise a better system for measuring both the performance of his chancellor and the progress of the economy. He could give responsibility for controlling inflation to an independent Bank of England. He could introduce genuine accountability, by setting out precise measures of performance and obliging the Treasury to report to parliament at regular intervals. Neither option has even been discussed. When I put the question to members of the cabinet in Brighton last week they all replied that the

The remaining option is to bring in a new chancellor, one whose credibility has not been destroyed by events. In more settled times, the prime minister would simply move Mr Lamont to another department

- the Home Office, perhaps - as part of a general reshuffle. For a while at least the government would look fresh. Mr Major is, however, trying to maintain a fragile union of, shall we say, rightwing nationalists and British Christian Democrats. He needs to watch the halance between these two parties in his administration as closely as he would similar partners in any continental coalition.

The short list of potential replacements for Mr Lamont is composed of names that would upset the Westminster coalition, Mr Michael Howard, who, as is proper for an environment secretary, is busying himself with the promotion of "Helping the Earth" week, is known to regard even the distant prospect of re-entry to the ERM with hostli-ity. Mr Michael Portillo, the young chief secretary to the Treasury, is of a like persuasion; anyhow, his proper promotion, which could be sky-high, lies in a more distant future. Three other potential chancellors - Messrs Kenneth Clarke. Michael Heseltine and John Mac-Gregor - are all solidly pro-ERM. None of the above say they want the job; all are straightening their ties. Meanwhile Mr Lamont has managed to acquire a reputation for being both in favour of the ERM and against it, which gives him a short-term political advantage at the cost of the last shreds of his

If Mr Major was not so petrified at the prospect of further upsets within his party he would cut through all this. The longer he waits, the more he risks the humiliation of having the decision taken

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When unity can sap the strength of a union

Germany's IG Metall wields unusual power, but will have to struggle to maintain its influence, writes David Goodhart

ermany's 3.5m-strong engineering union, IG Metall, is an increasingly rare organisation in the industrialised world - a trade union with power and self-confidence. But Mr Franz Steinkühler, the leader of the union who this week presides over its triennial Congress in Hamburg, will need all his own strength to keep it that way, as German politicians and employers look to organised labour for the sacrifices needed to finance unifi-cation and to resist recession.

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Mr Steinkühler's union faces these difficulties from a position of relative strength. It has won for its west German mem-bers a 35-hour week and, in 1991 and 1992, secured pay deals which were above the rate of inflation. For its 850,000 new east German members it bas done even better - winning a deal with the engineering employers to implement a phased equalisation of wages between the two parts of Germany by 1994.

Much of the union's historic success has been rooted in laws which give employees a significant voice at both plant and board level in German industry. IG Metall, the largest of Germany's 17 industrial unions, has also played an important role in the institutional web of government, employers, unions and the Bundesbank, which ateers the German aconomy.

But as the economic costs of unification have become more apparent, the German corporatist model - and in particular the privileged position of organised labour - has come under increasing attack.

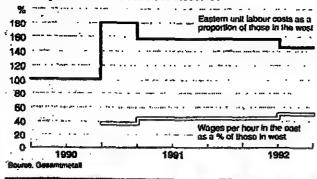
Critics, led by the liberal Free Democrats, the smaller party in the coalition government, say that while the model may have helped to distribute wealth in a steadily expanding economy it should now be jettisoned. They claim that the external shock of reunification, exacerbated by the threat of recession, has revealed the lack of flexibility in the corporatist system.

Mr Steinkühler sees his job as maintaining the union's place at the centre of economic management during what be describes as a defensive period for organised labour.

over financing reconstruction in the east is urgently required, and is even ready to accept a five-year pay agreement, providing wages are raised in line with inflation

and taxes. But in contrast to the government, which wants cuts in pay and welfare in the west to form the centrepiece of a "soli-darity pact" to finance a transEast-west gap

Germany's metal and electronics industries





Steinkühler: 'Social forces must pay according to ability'

for of funds to the east, the union wants more tax increases. This time, says Mr Steinkühler, the taxes must last longer and "all social forces must pay according to their ability to do so". By that he means that the self-employed and public officlais - who were excluded from part of last year's unifica-tion tax increase - should bear a greater share of the burden. He also favours a levy on post-tax profits, which would

be higher for companies not

investing in eastern Germany.

cuts - such as at the MZ Zschopau motorbike plant factories have still closed.

There is also said to be opposition to the wage equalisation agreement from within his own union. Some of the eastern members of IG Metall are believed to oppose the deal because they attach more importance to job security than to wage increases. Mr Steinkühler, however, claims that the equalisation deal is popular in the east. "Our people there tell us that they cannot pay capitalist

'Our people in eastern Germany tell us that they cannot pay capitalist prices with socialist wages'

In support of his demands he says that, since 1990, employees have contributed DM73bn (£29.2bn) to the cost of unity compared with only DM17bn

for a suspension of the wage equalisation deal for eastern Germany. Employers say the agreement merely protects the well-off western workers from competition by raising unit abour costs in the east.

Mr Steinkühler believes that the problem in the east is not wage levels but a lack of marketable products. He says that where workers have taken pay

prices with socialist wages," he

The equalisation deal is also a measure of how attitudes towards the financing of reunification have changed. In 1990 Mr Steinkühler is equally the deal enjoyed almost univerpromote the swift social union that the east Germans had been promised as well as helping to slow the exodus of east Germans to the west.

Mr Steinkühler argues that the emigration from east to west continues and that without the agreement it would accelerate again. Many economists, however, claim that the

and that the equalisation deal is contributing to the loss of

ment more than low wages

The IG Metall leader appears to concede there is some connection between higher wages and unemployment in eastern Germany. For example, he quotes approvingly the expec-tation that real labour costs in eastern Germany will remain 20 per cent below those in western Germany even after wages are nominally equalised in 1994. That is because east Germans will not receive many of the extra benefits enjoyed by their counterparts in the west. A senior colleague also says that the union might a freeze at the 1994 wage level in the east for several

Even if he wins the arguments on such issues, however, Mr Steinkühler is facing more practical problems. Most wor-rying is the fragmentation of the bargaining system in the east. German employers say that a large number of companies in the east have not joined their respective employers' associations and even those that have are often paying below the agreed level - with the approval of their employ-

In western Germany a 21month deal agreed in May has resolved wage disputes for the duration of the pact, but IBM Germany, a subsidiary of the US computer company, has recently announced its withdrawal from Gesamtmetall, the engineering employers' body. Other big employers, such as Daimler-Benz, are transferring jobs abroad. In another worrying precedent for IG Metall, the DAG white-collar union recently offered a pay cut at

This must all seem a long way from the union's last West German Congress in 1989. Then it was rallying for its successful assault on the 35-hour week and developing a new bargaining programme for eliminating distinctions between blue and white-collur workers.

As in Germany, times have also become harder in international markets, in response, IG Metall has tried to support the international competitiveness of its members by strengthening sister unions around the Social Charter within Europe. For the moment, according to Mr Steinkühler, the big challenge is to prevent a flood of cheap labour from eastern Europe.

Ahead, he observes, lies a period of "tougher distribu-tional conflict" throughout the industrial world. But few other unions are as well equipped to

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

disaster

From Mr Louis Musyrove. Sir, The chancellor, Norman Lamont, has got it all back to front. Germany has a low inflation because it has a strong economy - not vice versa.

Britain has a weak economy compared with Germany. If you impose low inflation on a weak economy like ours you will not produce a strong economy; you will produce a disaster.

Louis Musgrove, 130 Woodbridge Road, Inwinch Suffolk IP4 2NS

Actuarial feasibility

From Dr Geraldine D Kaye. Sir, With reference to Peter Somner's letter on insurance protection for software (October 8), could I suggest that he undertakes a course of study in actuarial science before commenting on what is or is not feasible using modern-day actuarial techniques. Actuarial judgment is of value wherever a combination of both mathematical reasoning and common sense is required. Geraldine D Kaye,

visiting senior research fellow in actuarial science, City University, Northampton Sougre London ECIV OHN

A recipe for | Unilever's divided view of social chapter queried

From Mr Roger Lyons.
Sir, It was interesting to read the endorsement of the Maas-

tricht treaty by the chairman of Unilever, Mr Michael Perry (Letters, October 9). There is just one thing that puzzles me, and that is Mr Per-

ry's enthusiastic support for the exclusion of the UK from the social chapter.

improved rights to consulta- the same transnational operattion and information for workers, which the chapter will help bring about, should apparently apply to employees of Unilever NV but not Unilever plc? What have his British workers, and our members, done to deserve this second-class status?

I was under the impression Could he explain why the I that both companies are part of | London SW18 2SH

ing in an integrated European Community. Have I got it

I think we should be told. Roger Lyons, general secretary, MRF

Park House 64-66 Wandsworth Common Northside,

Fiscal conflict that is not a matter for despair

From Mr M R Weale.
Sir, Samuel Brittan's article ("What I would do as chancellor", October 8) ends with the suggestion that the conflict between GDP exchange rate and inflation targets may be irreconcilable. There is no need for this note of despair provided one makes a distinction between those variables which are intermediate targets, used

as guides for short-term policy

and medium- to long-term

goals. The exchange rate is surely in the former category. I doubt people felt happier when £1 was DM11.76 (or in 1923 when £1 was RM1010) than they do now. On the other hand inflation and output are the latter category, and most economists would agree with Mr Brittan The exchange rate has an important influence on money GDP, and the most obvious thing to do is to use the exchange rate target as a short-term guide to interest rate policy, while varying the exchange rate target with reference to current performance of money GDP. Obviously this is not compatible with a permanently fixed exchange rate, but it is compatible with membership of an ERM in which realignments are seen as a matter of course and not as the worst crisis since Dunkirk.

To relegate fiscal policy in the way that Mr Brittan does is surely a mistake. If money GDP were on course to grow at target rate with the old exchange rate, the devaluation must have raised the rate of that they are best combined growth of money GDP and a and politics, into a target for money GDP. fiscal contraction is needed to University of Cambridge

terms, is the main problem.

Retailers, who in 1986-90

accepted an 80 per cent rent

overshoot over sales, realise

that a corresponding under-

shoot under sales cannot hap-

pen in arbitrations, and they

will be forced to keep paying

the inflated 1986-90 rents for at

least 14 years (see Professor Burton's "Retail Rents: Fair

and Free Market"). For retail

landlords a rent review means

offset this, Of course, if money GDP were growing too slowly at the old rate, then a change in the exchange rate must have been a good, not bad idea. The combination of a money GDP target with some measure of saving (like public saving or the PSBR) requires joint use of monetary and fiscal policy. If the two instruments are separated, there is a risk that the monetary authority will find itself having to offset the effects of fiscal policy on monetary GDP, while the fiscal authority has to offset the effects of the monetary policy on the budget balance. For this reason I hope he is too busy as chancellor to push through his Bank of England Act. M R Weale,

faculty of economics

Retailers are victims of arbitration process, not lease terms

From Mr John Campbell. Sir, Your graph ("Nightmare on the high street for UK retailers", October 6) shows retail rents increasing by 80 per cent more than retail sales in 1986-90, whereas throughout 1971-86 rents and sales stayed

This overshoot of rent over sales involved a shift of resources from tenant to landlord reasonably explicable by market forces. The sales surge meant a shortage of retail premises, tenants paid high rent increases at review, equating increased demand for shops with limited supply. Had the boom continued high rents would have resulted in more shops. In recession retail sales | still award increases. Thus the

collapsed, many shops fell arbitration set-up, not lease empty, yet rents continued to rise in arbitrations.

(Had market forces been allowed to work, rents would have fallen more than sales, allowing retail prices to fall to equate supply and demand, empty shops to reopen and recovery to start. Resources would have started to shift back from landlord to tenant.) Instead retailers suffered closure and ruin and the Retail Price Index was falsely inflated, not by market forces, but by the failure of the present arbitration set-up.

Upwards-only clauses of shop

leases have rarely operated in

the slump, since arbitrators

heads I win in booms, tails you lose in slumps. Reasons for unfair rent reviews include: landlords and their agents deliberately suppress or rig rental evidence in arbitrations; reviews are settled by two or three local dealers in the second-hand house market; modern valuation

methods are not employed. Retailers with a residential house enjoyed both an overshoot in house price during the boom and suffered a price collapse during the slump. If their house was collateral the bank often closed their over-rented shop. For retailers in boom or slump it's heads landiord wins with high retail rents, tails I lose on house prices. Now retailers understand what is happening we will refuse to allow the arbitration scandal to continue.

John Campbell, Tiddy Dois Eating House, 55 Shepherd Market, London WIY 7HL

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Here in the heart of the beautiful rural English countryside of Shropshire we have grown the high tech city of the next century. An advanced network of roads provides mouble free movement within Telford, whilst our M54 motorway gives uncongested access to the UK motorway nerwork. Our spacious business parks bristle with modern and attractive office and retall developments and our Industrial parks and fully serviced campus sites provide unrivalled opportunities for investment and expansion. Space that is much appreciated by the thousands of UK and international companies that have already chosen Telford. Unlike most of Western Europe we have a young expanding workforce ready to take over the reins in the future. A well trained work force too, thanks to the wide range of vocational training and education available up to University level. What sets Telford apart though is this remarkable balance of a state of the art business and living environment with truly timeless tural surroundings In which to live and play. We're geared for the future, we're genred for a better lifestyle. Join in our Success. Call David Rogerson and his rean at Teliord Development Agency on 0952 293262 of 60x on 0752 293270.

Observer

Dispenser of privilege

■ Card-carrying ex-comrades have just gained a new privilege in Moscow, although in today's world there are only about 600 of them in Russia's population of 150m-plus. The cards in question are needed to work a newly installed cash-dispensing machine which Visa claims is the first in the former Soviet Union. Located in Moscow's exclusive Metropol botel, it disdains the plunging rouble

which the authorities are trying to make convertible. The system will dispense only dollars to tourists and the 600 inhabitants with Visa cards. The cards - fastidiously issued to élite holders of

hard-currency accounts through a local commercial bank called Credobank - were instituted by Visa last year as a contribution to the development of a market economy. But the blessings are going mainly to foreigners who have found it near impossible to get cash on their plastic while visiting Moscow.

Although Visa says it will proceed step by step until a mass market for cards evolves in Russia, it looks forward to having cash machines at other tourist centres in the country by the end of next year. By then, who knows, a bit

more than 0.0004 per cent of the indigenous population will be deemed rich enough to

In the cold

■ Meanwhile in Berlin last weekend, a formidable collection of intellectuals assembled for a "last

encounter with the cold war". Foregathered in the former Soviet Pricadship Society were many of the veterans who had fought hardest against the tyranny of communism – Edward Shils, Irving Kristol, Robert Conquest and Melvin Lasky, the long-standing editor of Encounter, the monthly which, it believed, fought the intellectual cold war almost single-handedly and which died two years ago.

So what are the new dragons to slay? One idea is that there might be another magazine, even a new broadcasting station, designed to expose the lack of intellectual freedom in communist China. Another view is that the real enemy today is within, coming from demands for political correctness in American universities - though the Europeans were less inclined to spy this as the new

Marxism. Now that the cold war is over, intellectuals on either side of the Atlantic may indeed be going their separate ways. as was perhaps already obvious at the time of Encounter's demise, when there was plenty of American foundation largesse, provided that some money - if only a symbolic amount - came from Europe. It did not.

What lives on is the old fighting spirit. Lord Dacre was in Berlin to attack ideologies of all forms - including religion. It was for that kind of irreverent approach, as much as for helping to sink the cold war, that the magazine is missed.

Trigger-happy

Fancy whiling away the odd hour blasting off a bazooka on your visit to this week's Chinese Communist Party conference in Beijing? If so, head from Tiananmen Square towards the airport and, a bit to the west, you'll find the 161/4-acre China North International Shooting Range.



'Are you still celebrating Columbus Day?'

"entertainment type shooting activity place" in the country, it is "provided with over 20 kinds of small arms, such as various pistols, rifles and machine guns, rockets, designed and built by China to be fired by friends of all nations".

Moreover, if you suspect that the other friends' aim may be wayward, don't worry. You can blast away from inside one of 20 shooting compartments "fitted with hulletproff (sic) steel plate".

Bearing gifts

Evidently US defence company General Dynamics, which has just ousted Britain's Vickers from a tank deal in Kuwait, still believes in the traditional ways of winning friends in the Middle East. Off to the Gulf are its

chairman, William Anders, and fellow board member Frank Carlucci, the former US defence secretary, together with wives and a bulging gift-sack which, besides such baubles as crystal and expensive briefcases, includes three ceramic falcons and

another of bronze. Observer understands that Saudi defence minister Prince Sultan can expect to receive the bronze example today. In Kuwait, where the delegation is due tomorrow, the prime minister, Crown Prince Sheikh Saad al-Abdulla al-Sabah, can likewise count on adding a statue to his collection.

Meanwhile, a special present is being reserved for Abu Dhabi's Sheikh Mohammed third son of ruler Sheikh Zayed and a highly influential figure in defence procurement. He gets a bowie knife.

Disunity M More evidence, if such were

needed, that the two parts of Germany are failing to knit together. Two taxi-drivers at Tegel airport in (former west) Berlin were yesterday remonstrating about a better placed colleague heading a long line of cabs in search of passengers. Roughly translated: "These bloody Ossis come here and steal all our business."

Crisp

the reply.

■ Meeting his manager when going to cut a lettuce in two for a customer, a new assistant in a US store remarked: "There's a stupid woman who wants half a lettuce..." Then noticing the customer had followed him, he added: "but this nice lady would like the other half." Impressed, the manager later

assistant to a supervisor's post in Detroit. "Oh no!", said the young man. "All the women shoppers there are either prostitutes or hockey players." "I'll have you know my wife comes from Detroit," the manager snapped. "Which team did she play for?" came

offered to promote the

FINANCIAL TIMES

Tuesday October 13 1992



Bush's poor performance loses him 3-6 percentage points in the polls

Perot flies higher after debate

By Jurek Martin in Washington

PRESIDENT George Bush's uphill struggle to be re-elected looked even steeper yesterday as he was widely judged to have turned in the poorest perfor-mance in the first televised US presidential debate on Sunday

Three of four overnight polls proclaimed Mr Ross Perot, the independent, as the "winner," followed by Governor Bill Clinton, the Democratic candidate, who was reckoned to have done best in the fourth poll. Mr Bush trailed badly in all of them.

But Mr Perot's typically rambunctious and humorous act did not appear to make him a more credible threat to his opponents. Translated into voting preferences, two surveys found him rising to the 12-14 per cent range, Bush losing between 3 and 6 points to 31-35 per cent.

Apart from the mini-movement towards Mr Perot, probably a greater threat to Mr Bush than to Mr Clinton, most respondents changed by the debate. With three weeks to go to election day this must delight the Democrats and distress the Republicans.

The debate was viewed as crucial for Mr Bush's effort to turn the tide. Though his spin doctors claimed he had done well, he elicited no measurable mistake from Mr Clinton during what was mostly a mannerly evening.

In the sharpest exchange between the two. Mr Clinton invoked Mr Bush's father, the late Senator Prescott Bush, as a fighter against the McCarthyite tactics which, he claimed, Mr

organising demonstrations in London against the Vietnam war 23 years ago! Mr Bush had implied it was un-American to engage in such activities on for-

Mr Bush was also not helped by the fact that most of Mr Perot's barbs were directed his way. When the president pro-claimed the virtues of his own experience, Mr Perot chipped in: "I don't have any experience in running up a four trillion dollar debt." Mistakes in high office, Mr Perot said on another occasion, were very different from those committed by a young man.

Mr Clinton's elated handlers said afterwards that by focusing on the economy the Democratic candidate had achieved his principal goal, while he also effectively rebutted the president's charges about his character.

came when Mr Bush said he wanted Mr James Baker, who switched from secretary of state to head the White House staff in August, to run the economy in a second term. But that was later qualified by a campaign spokes-man said Mr Bush was only referring to the transition period between the election and inauguration in January.

Yesterday, an official travelling with Mr Bush in Pennsylvania said there would be "a new economic team" if the president won a second term, naming Mr Nicholas Brady, the treasury secretary, Mr Richard Darman, budget director, and Mr Michael Boskin, chairman of the council of eco-nomic advisers, as certain to depart. This only confirms well-founded speculation.

Deputies in limelight, Page 8 Bush cues the blues, Page 18

Vickers says US political muscle won tank deal

By David White, Defence Correspondent, in London

VICKERS, the UK engineering group, yesterday accused the administration of using political leverage to clinch a cru-cial Kuwaiti tank deal for the US company General Dynamics just ahead of the American presidenfial election.

The company is considering asking the British government to protest to Kuwait over the way the decision was handled. Vickers was hoping for a con-

tract from Kuwalt worth £1bn (\$1.7bn) for Challenger 2 tanks, including spares and support. One of its two tank assembly lines could face closure if other Gulf export deals for the new tank fail to materialise by the end of next year.

General Dynamics yesterday confirmed that Kuwait had signailed its intention to buy 236 of its M1A2 Abrams tanks. Details were still to be negotiated. It would not comment on allegations of administration pressure

any US official support. According to several reports Mr Dick Cheney, US defence secretary, wrote to the Kuwaiti authorities stressing the importance of the deal for continued US military aid in the region.

Sir Colin Chandler, Vickers' chief executive, said he was "not in any way critical" of the British government's role. The company had received full backing from Mr Malcolm Rifkind, defence secretary, who visited

Kuwait last month. The Ministry of Defence said yesterday; "We share in the disappointment." Last year Vickers won a British contract worth £500m to produce 140 Challenger 2s, partly on the strength of the

tank's export prospects. Six Colin said he believed Vickers was able to offer Kuwait a lower price than General Dynamics. It had submitted its bid only last week and was not expecting a decision until next month. "We've not even discussed our

price with them," he said. General Dynamics said results from Kuwaiti trials earlier this year would show that the Abrams "outperformed Challenger in every category". The trials focused on mobility, fire-

power and engineering. Sir Colin said, however, that the Kuwaitis initially appeared to be "favourably impressed" by the Challenger. The company thought it had done "quite well"

the second upset for the Challenger 2 after its exclusion from a competition in Sweden for a similar-sized order.

enough to sustain the two plants, he said.
The most immediate export

ing about 60 tanks.

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THE LEX COLUMN

Lucas hits the brakes

Lucas has been looking optimistically over the horizon for economic recov ery almost since the recession started Yesterday's annual figures finally included an £84m restructuring package, but Lucas still seems to take the notion that an upturn will cure its basic ills. The management talks of aiming to pay the full £49m dividend from operating earnings in 1992-93, when in the year just past it came entirely from reserves. Given that the company admits the first six months are unlikely to be much better than 1991-92, that implies quite a turn-around in the second half.

Cash is also a headache. When the company scooped up its £90m windfall from the pension fund last year, it expected gearing to fall from 40 per cent to below 30 per cent. It is now 44 per cent. The new finance director, Mr John Grant, will have to get a firm grip on working capital to prevent gearing rising further. The new programme for disposing of non-core businesses may not produce much by the way of profits above book value. It is probably more important that it will

bring in cash, Perhaps comparison with the likes of GKN, which battened down the hatches early in the recession, is a little unfair. Lucas has good products too, but its markets may be more competitive. Capital spending is needed to keep up. Nonetheless, a poor long-term record for cash generation is just the type of problem the likes of BTR enjoy sorting out. Unless Lucas addresses the issue itself, it may find that keeping shareholders sweet with their own money is not enough.

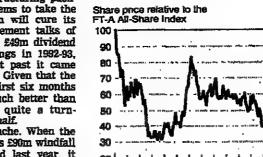
UK economy

Perhaps it was lack of incisiveness in the Treasury select committee ques-tions. Perhaps the chancellor remains unexcited by open discussion of economic policy after all. Perhaps the authorities still do not have coherent deas on policy. Whatever the reason, Mr Lamont's answers yesterday scarcely left the markets any wiser. Without clear economic criteria, shortrun policy decisions will probably con-

tinue to depend mainly on politics.

True, one could read into Mr Lamont's remarks an indication that a rate cut is in the offing. Inflation, he noted, is a lagging indicator. So the fact that the UK is only just inside this particular target may not matter. The chancellor also focused on the exchange rate which has conveniently rallied since last week. Yet there is less FT-SE Index: 2557.2 (+16.0)

Lucas Industries



immediate political imperative to cut rates now the party conference is over. The authorities may prefer to give the market more time to savour the prospect. After all, they can hardly afford to spark another precipitate fall of sterling by cutting too hastily.

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One might expect the emphasis on the effective exchange rate index to create a little additional leeway. In fact, since Black Wednesday sterling has fallen by just under 10 per cent against both the D-Mark and in terms of the effective index. So the choice of yardstick has little immediate relevance, and looks designed as a sop to those who want nothing more to do with the ERM. It may narrow the government's freedom of manoeuvre next year, however, if, as many expect, the dollar starts to appreciate significantly against all European currencies.

BAA can afford to observe Dan-Air's struggle for survival from the comfortable position of a near-monopoly supplier. It is unlikely that Dan-Air attracts many passengers who would otherwise not fly, as Laker Airlines did in the 1970s, so there is not much of a threat to overall air traffic volumes. Dan-Air's charter commitments could be met by other carriers, and most would fly from BAA airports. Some scheduled landing slots at Gatwick might remain unfilled - as happened following the collapse of Air Europe - but the busy routes would be snapped up. There is limited risk of a bad debt charge, even if the worst

does come to the worst.

The loss of Gatwick's second largest

ing that airport into a serious hub for scheduled business travel. Gatwick has been losing out to Heathrow since air traffic control restrictions were lib eralised last year, as yesterday's traffic figures show. Annual growth at Heathrow is 6 per cent, against 2 per cent at Gatwick. But since charges are higher at Heathrow, why should BAA

'cementi's F igins soul

ATHERNO PISSES STORY

Will the said

design this issue

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Perhaps because another failure a Gatwick would have a knock-on effect on Stansted, London's third airport, which is still some way from break-even. It looks increasingly as though the £400m recently invested there will take longer than expected to produce a return.

Vickers

Sir Colin Chandler, chief executive of Vickers, may be forgiven for feeling depressed that the Kuwaiti tank order has gone to the US. Whatever the political shenanigans behind the deci-sion, it highlights the risks of relying on the defence business. Vickers needs another order for its Challenger 2 tank in the next 18 months, and Kuwait was one of its best opportunities. Oman or Saudi Arabia may yet come up trumps, but no decisions will be

made there until well into next year. The cash injection from an order would have come in handy Rolls-Royce Motors has been sucking cash out of the business and gearing has risen uncomfortably, limiting Vickers' room for manoeuvre. If BMW were still interested in acquiring part or all of Rolls, it might feel the price has just fallen.

Trafalgar House

The steadiness of Trafalgar House shares in response to the result of the Hongkong Land tender prompts the question of whether there is a floor around 85p. The answer is only a qualified yes. The wholesale rejection of the tender by institutional investors suggests they think the company is worth more. If Trafaigar House fails to appoint a board capable of unlocking that value, then, presumably, Land will eventually be back in part or in full. That said, one should beware of assuming the company can be turned round quickly or that the fortunes of the engineering and construction industries are at their nadir. Just because Trafalgar's assets are worth more than 85p per share now does not automatically mean they still will be in 12 months' time.

customer would dent hopes of develop-

NEWS REVIEW

BUSINESS

Aeronautical comms system for Norwegian CAA

Ferranti International has secured a contract from MacDonald Dettwiler of Canada to supply the Aeronautical Fixed Telecommunications Network (AFTN) message handling system for the recently awarded Norwegian Aeronautical Information System.

MacDonald Dettwiler is the prime contractor to the Norwegian Civil Aviation Authority to upgrade equipment installed at the Aeronautical Switching Centre at Bergen. Scheduled to become operational by the Autumn of 1994, the new system will be one of the most advanced in Europe.

The integrated AFTN/ATS system provides for the automated exchange of information between major aeronautical comms, networks, the Norwegian CAA, and the Norwegian domestic aviation industry. The system uses this switched information to satisfy a number of requirements including flight briefing and flight plan management information, vital for the

safe and efficient running of air traffic.

First delivery of electronic targets

■ Ferranti International has started deliveries against a Ministry of Defence contract to supply Semi Active Radar Target (SART) systems.
The targets are towed by the 'Chukar'

remotely piloted vehicle for practice firings of radar guided missiles. In operation the target generates a typical radar return from a larger aircraft by producing an enhanced radar cross section when illuminated by a radar.

A key element of the avionics system is a new in-house developed antenna sub-system. The contract covers a quantity of 57 sets to a J band specification.

EW sensor for **UK Army helicopters**

■ The airborne radar warning receiver developed by Ferranti International for installation on British Army helicopters has received full certification. **Deliveries** of production standard hardware started earlier this year.

Ferranti won the £15m Ministry of Defence contract three years ago following an open competition between top UK and overseas suppliers. Designated ARI 23491, the Ferranti RWR system weighs less than 13 kg and introduces a number of innovative features making it one of the most technically advanced RWR sensors to enter service on

military helicopters. Its purpose is to distinguish potential threat signals from the vast mass of electromagnetic transmissions which will be present in a modern electronic

environment. The equipment is being fitted to Lynx and Gazelle helicopters and it will be fully compatible with the proposed next generation battlefield attack helicopters.

Detected pulse, pulse doppler and CW emissions are presented to the crew on a video display indicating the type, range and bearing of the threat. The system features an extensive threat library of 1000 modes which is managed under software control together with threat priorities and Electronic Counter-Measures (ECM) interfaces.

RWR development resulted from a company funded programme to develop a comprehensive range electronic warfare protection systems being marketed by Ferranti International as the

Schiphol G pier landed – Manchester T2 on time

■ Ferranti (light information systems are in service at major airports throughout the world. New installations are progressing at Amsterdam Airport Schiphol, the first phase of which went live in May this year, and Manchester Airport's Terminal 2, scheduled for completion at the end of October.

Both are based on the new Ferranti airport management information and display system which is designed to run in an open system environment using latest relational database

techniques. The opening of Schiphol G pier marks the successful completion, on time, of the first phase of a £4.5m contract to supply and install new flight information systems as part of the Schiphol 2000 expansion programme. The Manchester installation, a £2m contract awarded last year, comprises a central computer system duplicated to

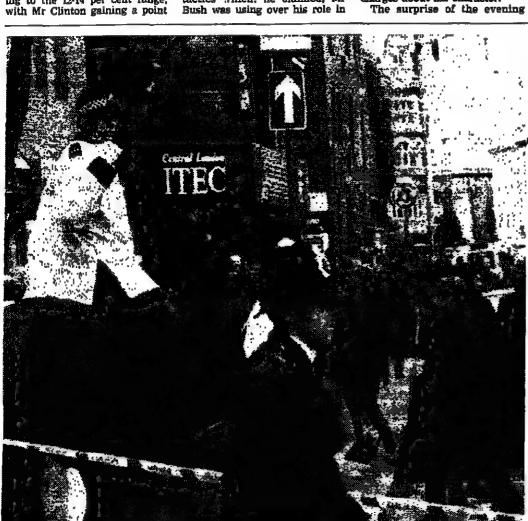
Tucano simulator for RAF

The fifth Tucano flight simulator to RAF Linton on Ouse. The two Tucano Factory Acceptance checks prior to student training. delivery for installation with TFS 4 at

be built by Ferranti International for simulators at RAF Cranwell are both the Royal Air Force is undergoing just passing their 1000th hour of

guarantee service at all times.





Police try to clear a crowded street in London's Covent Garden area after an explosion which injured five people. The Irish Republican Army claimed responsibility Page 11

Companies face deadline on single market VAT rules

By Charles Batchelor in London

HUNDREDS of thousands of companies throughout Europe must urgently complete radical changes in the way they handle value added tax if they are to meet the January 1 deadline for creation of the European single

Many companies will not have enough time to modify internal information systems and alter computer systems, tax specialists said. They may be forced to carry out large numbers of VAT calculations manually, hire consultants or employ external com-

puter bureaux at extra cost. The new VAT rules have been devised to take account of the abolition of border controls which will mean that customs officers will no longer monitor

shipments at border posts.

The responsibility for reporting VAT liability and recording trade statistics will be shifted to com-

takes in his testimony, Mr Lam-

ont appeared to have reassured

Conservative colleagues vester-

day that he could give a robust

justification for his economic pol-

But although he emerged from

the meeting with his standing at

Westminster at least no worse

than before, speculation contin-

ued over how long he could

remain at the Treasury.
Mr Lamont remains vulnerable

Continued from Page 1

The new rules are intended as a first step in a move from levying VAT on imports to imposing the tax on exports. The changeover is due to be completed in 1997. It affects only trade between **European Community member** states so businesses dealing with other countries will have to operate two sets of VAT procedures.

Accountants report considerable resistance from many clients VAT changes. Part of the reluctance stems from the fact that changes may still be made.

Business organisations such as the Confederation of British Industry and the Institute of Directors in the UK, the French Patronat and the German employers' association BDI, are concerned that the new VAT rules will impose a heavy bureau-

to making preparations for the the new EC legislation has not been finalised and last-minute

tem," said Mr Adrian Ogley, a tax specialist at the CBL "Tax is not glamorous politically so it has been left to the administrators from the 12 member states and business has not had much input." Mr Winfried Eggers of the BDI said: "It will only add to industry's costs. And whether it works or not will depend on whether every country imple-

ments the rules. The abolition of border tax controls is expected to save £10bn. according to one estimate. But business organisations fear that much of this will be offset by the costs of adjusting to the new

VAT regulations. UK Customs and Excise has promised to treat genuine errors leniently in the first year of the new system but businesses are concerned that VAT officials will crack down on any mistakes.

Exporters pick up the pieces as barricades fall, Page 13 Editorial Comment, Page 18

cratic burden on business with few corresponding benefits. "It is a horribly complex sys-

Lamont says inflation must come down

firmed the view that the government was suffering from "ministerial paralysis."

Arguing that unemployment was now the key priority for action both at home and on the

the most calamitous" in its history.
The chancellor rejected the

tion that there is a vacuum in his economic policy. Mr John Smith, the Labour leader, said the chancellor's performance only con-

continent, he castigated the UK's presidency of the EC as "one of

control of public spending that

ing and although he said the government would do its best to safeguard capital spending, "at the end of the day" it was the overall

Questioned about the circumstances of Britain's departure from the ERM, Mr Lamont rejected reports that the UK's EC partners had suggested a broader realignment of the ERM, including a devaluation of sterling, on the weekend of September 12-13,

when the Italian lira was deval-

in firing trials. Vickers claims Challenger, although slower on the ground, has the edge in crew protection and in maintenance costs. Losing the Kuwait contract is

Production work on the UK Challenger order, due to last to 1998, would not on its own be

prospect is Oman, which is seek-

FINANCIAL TIMES COMPANIES & MARKETS



Lucas

Industries

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Italcementi's French deal turns sour

Less than six months after catapulting Italcement to the top of Europe's cement league through the surprise purchase of a controlling stake in Ciments Français, the deat has turned sour following the discovery of large off-balance sheet losses at the French company.

Politics put wind up US farmers

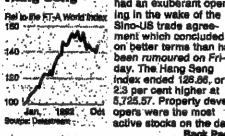


US farmers have little enthusiasm for four more years under President George Bush, but lear that a Clinton administration would make life more difficult. A book written by Mr Al Gore, Mr Bill Clinton's running mate, has entered the best-seller lists and farmers now lear they may be targets for extremist environ-mental protection measures by a new Democratic presidency. Page 30

Soup and biscuite

Campbell-Soup, the US foodmaker, yesterday launched a surprise A\$8:80 a share offer for Arnotts, the Australian biscuit maker, in which it holds a 32.9 per cent stake. The US group said it was prepared to move to 100 per cent control at a cost of ASS43m (\$880m). Page 24

Exuberance in Hong Kong **Hang Seng**



The Hong Kong bourse had an exuberant open-Sino-US trade agreement which concluded on better terms than had en rumoured on Friday. The Hang Seng Index ended 128.86, or 2:3 per cent higher at 5,725.57. Property devel opers were the most active stocks on the day

Corning earnings flatten Coming, the US speciality glass group, yester-

day reported flat third-quarter net earnings of \$107m, or 57 cents a share, compared with \$106.7m, or 57 cents, a year ago: Page 23

intel, the leading US semiconductor chip manufacturer, reported a 20 per cent increase in revenue for the third quarter at \$1.43bn. Net income rose 19 per cent. Page 23

Market Statistics

London share service Bese fending rates Benchmark Govt-bonds Liffs equity options London tradit options Managed fund service Manay markets New int. bond issues FT/ISMA int bond svc FT guide to ourrencies Financial futures Foreign exchange London recent les World commodity prices World stock mix indices UK dividends announced

Companies in this issue

Adam & Company Albright & Wilson Albrighton Alcoa of Australia Altied-Lyons Ampolex Andrews Sykes Arnotts BSR Group Brit Group
Brierley Investmen
CPC International
Campbell Soup
Chemical Systems Chequers . Ciments-Français Clark (C&J) Control Securities Dalmier-Benz Dan-Air Dresser Industrion East Asiatic Euro Fire Protection Freia Marabou Gales (Frank G) Goodman Fleider Goodwin Hershey Foods Highland Distiller

Kraft Gen Foods int Lucas industries Luffhansa Lyles (S) Maxus Energy Maybank Medeva Mid-States Mitsubishi Orkla Outokumpu Pacific Enterprises Philip Morris Price Waterhouse Ranks Hovis Royal Insurance Sealord Shepherd Nearne Singapore Airlines Slingaby St George Bank Stageroach Sun Alliance Sydkraft Tay Hornes Trafsigar House Veba Volvo Walker Greenban Wickes

faicement

Chief price changes yesterday

FRANKFURT (DAD) Navigation Must. 742 + 38 Rousset-Uctal 419 + 19 419 + 19 Philips Sommun 545 Algebra VORIK (\$) Philips Sommun 545 Algebra VORIK (\$) Philips Andrew 1212 Any Micro 1212 Any Micro 1212 Any Micro 1212 Any Micro 1212 364 380 - 25 TOKYO (Yen) 121₂ + 35₈ + 361₄ + 301₄ + 71₄ + 51₂ + 1 1/2 Sebaru Ent. 1 1/8 Torinity Ind. 1 Fails Conen Crown PARIS (FFr) 431 - 15 221 Prisonal Hidgs Carleson (H) AA Chernel Hidgs Carleson (H) Hidgs Carleson (H) Highland Dist Kwik Save Lenon Park Mirror George Fraitie Rass Body Shop 33 Calaba Marw Grand Miles Standard Chtd Til Group

Tuesday October 13 1992

and snacks producer. Norsk Hydro, Norway's biggest publicly quoted company, which controls 44.1 per cent of Freia's shares together with its pension fund, yesterday accepted the offer

which values the company at \$1.5bn.

Paulig Services, a Finnish company. "Con-sequently, a total of 54.9 per cent of the shares of Freia Marabou is covered by the acceptance." Norsk Hydro said. The move virtually extinguishes any

hope held by Hershey Foods of the US to acquire the company through a rival bid which it was considering with Orkla, the diversified Norwegian food group. Hershey controls 18.6 per cent of Freia's

to a rapid conclusion.

KGFI subsidiary Jacobs Suchard on Sep-

tember 28 offered to acquire Freia Mara-bou for NKr450 a share. Freia Marabou's B-shares closed NKr5 up to NKr435 yesterday on the Oslo bourse, but news of the Norsk Hydro acceptance came after close. If the bid is successful, the company is to be called Freia Marabou Suchard. The

offer offer expires on November 11. KGFI promised Freia's shareholders it would ensure the company's growth and expansion. With the help of Jacobs Suchard, Freia's exports could rise by 5,000 tonnes to 20,000 tonnes within five years. It said Freia's activities, board and man-

pany would take over responsibility for Jacobs Suchard's chocolate and sugar con-fectionery in the Nordic region, as well as in Britain, Belgium, Luxembourg, the will also be given access to Jacobs Suchard's research and development facilities

Norsk Hydro stands to gain pre-tax profit of NKr2.4bn on the disposal which it says will substantially strengthen the company's financial position. Norsk Hydro's pension fund will receive an addi-tional NKr500m from the sale of its 5.8 per agement would remain intact and the comcent Freia Marabou stake.

to shed Netherlands and the Baltic states. Freia 4,000 jobs

By Paul Cheeseright, Midlands Correspondent LUCAS Industries, one of the UK's largest engineering groups, is shedding at least 4,000 jobs in

Jane Fuller on the dilemma facing operators at one of the world's busiest airports

a three-year restructuring programme. It will sell companies which are not central to its aerospace and automotive business and move its manufacturing operations on to fewer sites. To pay for the restructuring

the group made a provision of £88.4m (\$157m) in its 1991-92 results. The figures, announced yesterday, showed a sharp reduction in pre-tax profits to £22.5m from £82.8m in the year to July 1991, and a net loss of £8.8m compared with a net profit of £49.4m last time. Lucas had a ioss per share of 1.2p, against earnings per share of 7.1p a year The London stock market was

cheered by the maintenance of the dividend at 7p. The share price quickly climbed 10p before settling to close at 94p for a day's rise of 4p. This gave Lucas

a market value of nearly £660m. Lucas started its restructuring programme earlier this year. It has already reduced its workforce by 1,250. The remaining 2,750 jobs will be cut in the UK and overseas, taking the number employed worldwide by the group to around 47,000 from more than 57,000 in July, 1990.

Sir Anthony Gill, chairman, warned the first half of the current year will be little better than the 1991-92 first haif, when Lucas had pre-tax profits of £200,000 topped up by a £90m contribution from its pension

The pension fund contribution is offsetting the future cost of the restructuring programme. In 1991-92 Lucas had in any case paid £23.7m in redundancy and reorganisation costs. These sliced into trading profits and left operating profits at £58.3m. half the previous year, but earned on sales 5 per cent down at £2.37bm

Lucas found all its aerospace markets weaker: operating profits were reduced in the UK while losses were incurred in North America and continental Europe. By comparison, its automotive business had a glittering year. Operating profits at £38.6m nearly reached the level of the previous year and sharply higher profits in continental Europe more than offset losses in the UK and North America. Lex, Page 20

New components, Page 26

US group wins Nordic snack bid

Dan-Air

on rescue

DAVIES & Newman Holdings,

owner of the Dan-Air airline, is

in rescue talks with British Air-

ways after abandoning negotia-tions with Mr Richard Branson,

owner of Virgin Atlantic Airways, writes Paul Betts in Lon-

British Airways yesterday

refused to comment on whether it was considering the rescue of

Dan-Air. It appears to have been

approached by Mr David James,

Davies & Newman's company

doctor-chairman, and may be re-

examining the Gatwick carrier

Airline industry analysts said BA might be put off any salvage operation if that entailed lengthy

regulatory hurdles from the

Monopolies and Mergers Com-

mission. Last night British Mid-land expressed concern at a pos-sible BA/Dan-Air link and said it

would call for scrutiny by the

Mr Branson said that if his

withdrawal resulted in "letting

in a big bad wolf . . . then Virgin

European Airways will be born". He believes that sufficient routes

would be slied to enable him to

Hopes have faded that Dan-Air

entity without a substantial

It is feared that this year's

loases will take the pre-tax defi-

cit for the past three years

towards the £100m (\$178m)

mark. The parent company looks certain to breach its ceiling for

LTU, the German travel group,

refused to comment on Dan-Air

yesterday. After buying the

Thomas Cook travel agency

chain, it is looking at other areas

By Robert Taylor in Stockholm

VEBA, the German conglom-

erate. Is to become the largest

shareholder in Sydkraft, one of

Sweden's leading power genera-tion companies, in the biggest

Preussen Elektra, a Veba sub-

sidiary, is to pay SKr1.07bn

(\$197m) for part of the voting and

non-voting shares owned by the

council for Helsingborg, a large

town on the south-west coast of

Veba's expansion is one of the

first examples of the increasing

likelihood of higher levels of for-

elgn ownership in Swedish indus-

try. The removal of legal restric-

tions to foreign ownership of any

part of a Swedish company.

privatisation vet in Sweden.

of the holiday industry.

Lex, Page 20

bank borrowings this winter.

MMC and EC regulators.

set up a niche carrier.

can survive as an inder

pariner and refinancing.

after ending talks last month.

with BA

in talks

... OTHE FINANCIAL TIMES LIMITED 1997

KRAFT General Foods International, part of the Philip Morris group of the US, yesterday won control of more than 50 per cent of the capital in Freia Marabou, Scandinavia's leading chocolate

It also accepted on behalf of Procordia, the Swedish food and medical group, and

istory may have caught up with Davies & New-man, owner of Dan-Air

- the oldest British airline still

operating under its original

if Dan-Air collapses, its demise will echo that of other Gatwick-

based scheduled carriers. Air

Europe sunk with its parent,

International Leisure Group, in

March last year. British United was taken over by British Caledo-

nian in 1971. Nearly four years

ago, BCal was in turn bought by

British Airways which is still try-

ing to turn around the Gatwick

and recall that Dan-Air entered it

in a weakened state. Others will

ask whether Mr David James, the

company doctor, was too daring

in expanding the scheduled side

of the business, rather than cut-ting costs and losses. But the question will also be

reiterated: is it commercially via-

ble for an independent airline to

run a scheduled European net-

whether enough higher-fare busi-

ness travellers can be attracted

to Gatwick to prop up the yield

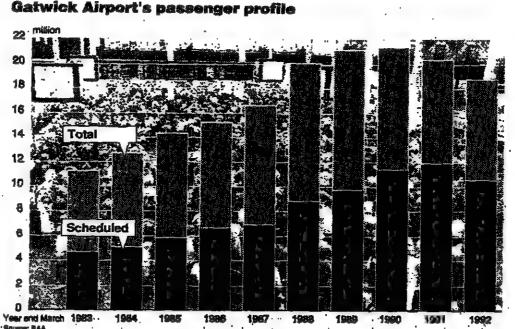
(average revenue per seat).

Some will blame the recession

operations.

capital. KGFI needs a two-thirds majority to push the deal through and the many small shareholders could pose an obstacle

Mastering Gatwick's history lesson



uncomfortable statistica last year

Gatwick is one of the busiest International airports in the world, with nearly 20m passengers a year, but only one in five are business travellers. That compares with nearly half of the 44m passangers at Heathrow. Gatwick suffered last year

when the London air traffic distribution rules, preventing new carriers operating from Heathrow, were abolished. That prompted several airlines, including Virgin Atlantic, to move flights to Heathrow. According to BAA figures, Gat-

wick traffic has fallen by 11 per cent, from a peak of 21.2m in the year to March 1990 to 18.9m in 1991-92. Business travel shows a decline to 20.7 per cent, from 22.5 per cent in 1990-91. The BAA also uncovered

Veba buys large stake in

Swedish power generator

power company.

pany purchased 10.5 per cent of the equity but only 1.7 per cent of

the voting shares in the Swedish

Under the proposed deal, Hel-

singborg council is issuing a

bond to Preussen Electra which

gives the company the right to

take over its stake in Sydkraft on

January 1, 1995, when the exist-

ing consortium agreement of

ties in Sydkraft comes to an end.

As a result of the agreement,

the German company will

acquire Helsingborg council's 6.2 per cent equity and 9.9 per cent

This will make Preussen Elek-tra the largest shareholder in the

company and the second biggest

owner of voting rights in Syd-

voting rights in Sydkraft.

southern Swedish local authori-

work based on Gatwick?
The crux of the problem is among business people based in the Gatwick heartland south of London. "Four out of five Brighton businessmen were driving past and going to Heathrow; and only one in six from Redbill was using Gatwick."

Gatwick's prominent role in carrying leisure traffic is reflected in the high proportion of charter flights and of leisure travellers on scheduled services. The 44 per cent of non-scheduled flights from Gatwick compares with 0.2 per cent at Heathrow. Heathrow's greater volume of business traffic creates a virtuous circle, whereby it can offer frequency of flights and connec-

tions with other airlines' flights. To offer comprehensive timetables, airlines have to run offpeak services at lower yields to complement their busy morning and evening trips.

Again, Heathrow has an advantage. As Mr Randolph Fields, a

profit of about SKrlbn.
"Both from an ideological and

former shareholder in Davies & Newman, puts it, Heathrow's ability to "skim off the high-yield cream" also enables airlines operating from there to "penetrate the low-yield market at will on a marginal cost basis". The competition for off-peak traffic is effec-

he advantages reflected in the contrasting fortunes of Dan-Air and British Midland, the UK's second biggest scheduled sirline. which controls 14 per cent of the slots at Heathrow. British Midland is profitable

and has attracted a substantial partner. Scandinavian Airlines System paid \$50m (\$85m) for a 40 per cent stake in its parent.

British Airways' losses at Gatwick bode ill. BA is tackling this by making a virtue of Gatwick's ing exercise and costs have been cut; about 300 jobs were shed earlier this year. Two conclusions Virgin

reached studying Davies & Newman's books were that Dan-Airshould be pruned and simplified. The gravity of Davies & Newman's financial position has

incurred the problem of ebbing customer confidence. The UK's top three package holiday companies, Thomson, Owners Abroad and Airtours, all have their own airlines. It is, per-

haps, no coincidence that Airtours, once a big Dan-Air customer, announced that it was setting up an airline in late 1990, about the time of the first Davies & Newman financial crisis. Uncertainty exacerbates the

situation since the suspension of Davies & Newman's shares on September 28. The pressure is on Mr James to organise swiftly the third rescue in two years.

one-terminal hub and spoke facility", dovetailing short-haul and long-haul services. Traffic

currencies at extremely favourable rates of exchange, without charge. For extra security, your money is only spread among banks

chosen and monitored continuously for their creditworthiness

cash, usually it can be remitted anywhere in the world, free of

charge, within three business days.

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Volvo says it may close Swedish plants

By Robert Taylor in Stockholm

VOLVO, Sweden's leading car corporation, confirmed yesterday it will decide next month on closure of two of its three assembly plants in the country with the potential loss of 1,630 jobs. The step reflects Volvo's severe overcapacity in a shrinking car mar-

The plants have been operating at half capacity for some months. Their shutdown would concentrate production in Sweden in Gothenburg.

A decision to close the plants, at Kalmar and Uddevalla, would produce an annual saving of hetween SKr300m-SKr400m (\$124m).

It was mainly due to the idealism of Mr Pehr Gyllenhammar. Volvo's executive president, that the plants were created as showolution. Multi-skilled assemblywork teams were introduced and backed by computer technology. Yesterday Volvo also

announced it was making a further cut of 12,000 in its car production programme for next year in response to the continuing decline in sales. This follows a decision taken two weeks ago to reduce production at the company's Ghent plant in Belgium by

Volvo said that a joint investigation was being carried out with the Swedish trade unions on the future of the Kalmar and Uddevalla plants. This will be completed early next month and then presented to the Volvo board for its final decision. It seems unlikely that either plant will remain open for much lon-

the same of the same and a second process of the same of the same

any decision to close Kalmar and Uddevalla stemmed from over-capacity problems and not poor productivity or other troubles at the two plants. Mr Louis Schweltzer, chairman

and chief executive of Renault,

Volvo's French partner, last

week warned that there had to be a "a profound restructuring" of the Swedish carmaker which would be "painful but necessary". In August Volvo reported a SKr103m loss (after financial items) for the first half of the year and it has continued to suffer from declining sales in the vital North American market. The company will have cut its annual cost. level by about SKr5.2bn since 1990. The latest announcement is in addition to its earlier cost reductions.

economic point of view the deal is a very great success", said Mr Jerker Swanstein, head of the council. "A local authority should not own assets which can be owned by the private sector. The need for direct ownership is less important in a liberalised This is the first example of a local authority in Sweden privatising its stake in a utility. Other local authorities are expected to The deal with Veba shows the privatisation programme in Sweden has not lost momentum, in spite of the moratorium agreed two weeks ago between the Swedish government and the Social Democratic opposition on the Wherever you find yourself, you'll find that

which was in place for more than kraft after Malmo city council. The Helsingborg council said 50 years, took place earlier this sale of Sweden's state-owned year. Last year the German comthe deal would provide them with Pidelity Money Funds offer a flexible, tax-efficient case examples of the company's ger. The Fidelity organisation looks after over \$60 commitment to a production rev-Volvo insisted yesterday that

electricity market."

INTERNATIONAL COMPANIES AND FINANCE

Lufthansa in talks to sell part of stake in Kempinski

By Michael Skapinker, Letture Industries

LUFTHANSA, the German airline, said yesterday it was negotiating to sell part of its 42.6 per cent stake in the Kempinski luxury hotel chain. The negotiations follow Luft-

hansa's announcement last June that it was scaling down plans to merge Kempinski with Air France's Meridien chain. Lufthansa said it was in talks with several interested parties, but the most likely buyer of the Kempinski stake is thought to be Advanta Man-

Dicter Bock. Der Spiegel, the German news magazine, reported recently that Lufthansa would retain an interest in the chain

agement, a German investment

group controlled by Mr Hans

believed, however, that Luft-hansa would like to keep its stake in the chain at above 10

The plan to merge the Kem-pinski and Meridien chains was announced last April. It would have created an 80-hotel group with 25,000 employees and annual sales of \$1bn. Air France would have been the majority shareholder in the merged company. The hotels would have retained their own

Meridien has 60 hotels worldwide. Kempinki is strongest in Germany, but with a growing presence in North America and

In June, however, Lufthansa said it regarded the merger as a long-term objective only. In the interim, it said, co-operation between the two hotel groups would be limited to a of about 10 per cent. It is joint marketing arrangement.

ing arrangement was success ful, a mutual holding company would be created.

It said that no further decision would be taken without the consent of Lufthansa, thereby ensuring that the interests of the Kempinski chain would be assured.

The scaling-down of the merger plan led to speculation that the Kempinski management had opposed the deal. Lufthansa was also said to be concerned that a merger could threaten standards at the Kempinski hotels. The German air-line said that any arrangement would have to ensure that quality of the Kempinski

hotels was upheld. Lufthansa said it could not comment on the future of its relationship with Air France while the current negotiations

Stagecoach to buy NZ bus services

By Angus Foster in London

STAGECOACH, the UK's largest private bus company, has won approval from Wellington city council in New Zealand to buy its bus, tram and funicular railway services for NZ\$8m (US\$4.34m). The acquisition is expected

to be completed by the end of this month and will add about 270 vehicles to Stagecoach's 3.000-strong worldwide fleet. •

The Wellington operations employ about 450 people, mainly on the city's "Big Red"

By Emiko Terazono in Tokyo

MITSUBISHI of Japan and

Daimler-Benz, the German

industrial group, yesterday reconfirmed their growing

co-operation, after talks at the

weekend in Japan between

vice-president of Mitsubishi

Corp, the trading company

that is the nucleus of the

group, said the mutual under-

standing between the two groups had been strengthened.

Mr Takeshi Eguchi.

thair executives.

Stagecoach, based in Perth, Scotland, operates six regional bus companies in the UK, but about 20 per cent of turnover is

A company spokesman said Stagecoach had been interested in New Zealand since the country passed legislation similar to the UK in 1989 to privatise bus services.

Manning levels are now similar to those among privatised UK bus operators and the spokesman said cost savings from efficiencies would be

Mitsubishi, Daimler stress co-operation

Mr Eguchi added that of the

several projects being studied,

an important agreement

between the two companies

may be concluded by the end

The weekend meeting is the

fourth since the highly publi-cised decision in 1990 between

Daimler-Benz and four compa-

nies in the Mitsubishi group to

seek a broad strategic alliance.

initial excitement over the

tle-up, Mitsubishi underplayed

the importance of the alliance.

However, in contrast to the

is interested in further New Zealand acquisitions, other large city councils such as Christchurch and Auckland have yet to announce plans to open up services to the private

Stagecoach has also looked at Czechoslovakia and is trying to break into Hong Kong, which recently announced plans to increase competition for the colony's bus services. The company lost out in the first new franchise to be offered earlier this year.

So far, the groups have failed

cant deals.

light trucks.

to come up with any signifi-

Mitsuhishi Motors and Mer-

cedes-Benz are discussing deal under which Mitsubishi will

supply the German vehicle

group with diesel engines for

An earlier agreement under which Mitsubishi dealers in

Japan sell Mercedes-Benz cars,

has run into difficulties as the

German company wants to

develop an independent dealer

in write-offs and expenses.

AMER, the Finnish consumer products group, reported a first-half pre-tax profit of FM40m (\$8.52m), compared with a break-even result in the same period last year.

months to August 31 came despite a 5 per cent fall in net sales to FM3.33bn. The group blamed the drop on a continued decline in the Finnish our market and reduced demand

Outokumpu in FM62m loss for first eight months

By Christopher Brown-Humes In Stockholm

OUTOKUMPU, the Finnish mining and metals group, made a FM62m (\$13.2m) loss in the first eight months, reflecting lower-than-expected metai prices and a weak dollar.

The result was considerably better than the FM255m loss recorded in the same period last year, but the recovery has been slower than expected because of reduced investment activity in the group's European and US markets. In the first four months, the group made a FM3m profit.
Sales in the last eight

months rose 1.5 per cent to FM8.147bn from FM8.029bn. Outokumpu said profitability had improved considerably compared with last year. It highlighted the November 1991 devaluation of the markka, growth in stainless steel sales, and the implemen-

tation of efficiency measures as positive factors.

The group said both its copper products and technology divisions continued to make losses, while stainless steel and base metals recorded posi-

Outokumpu said Finland's decision last month to float the markka would worsen its 1992 result by FM50m, assuming a 15 per cent devaluation. It also said its decision to close dowa Outokumpu Copper Kenosha's drawn products line in the US would lead to FM130m

However, the company says its 1992 result is expected to "improve significantly" on last year's FM768m loss, although it will stay in the red.

The improvement for the six

for wholesale paper deliveries.

French adventure leaves sour taste

Haig Simonian on Italcementi's takeover of Ciments Français

cementi, Italy's biggest cement group, it has been a week to forget. Less than six months after catapulting his company to the top of Europe's cement league through the surprise purchase of a controlling stake in Ciments Françals of France, the deal has turned sour following the discovery of substantial off-balance sheet losses

at the French company. Italcementi's problems are doubly ironic for both its chairman and Mediobanca, the powerful Milanese merchant bank that is its main adviser.

Last April's agreement to buy control of Ciments Français was hailed by Italian investors. After Pirelli's failure to buy Continental and the Agnelli family's discomfiture at the hands of Nestlé in the battle for Perrier, an Italian entrepreneur had finally pulled off a cross-border coup.

The praise was shared with Mediobanca. The bank's low-profile approach to corporate finance, based largely on personal contacts with a select group of institutions, appeared out of place. The Italcementi-Ciments Français deal showed that the bank was not superan-

That the transaction has turned complex is a blow to both Italcementi and Mediobanca, two companies equally renowned in Italy for their distaste for publicity.

Visitors to the Milan headquarters of Mr Pesenti's Italmobiliare holding company, which controls Italcementi.

OR Mr Giampiero might easily think they have Pesenti, the entrepreneur who controls Italazzo bears no nameplate. Only after passing a discreet porters lodge, which bears no reference to the company, comes the security check giving access to Mr Pesenti's domain. The low profile contrasts with the policy of Mr Pesenti's father Carlo, who built the group into one of Italy's leadng conglomerates.

The price for expansion was debt. Following his father's death in 1984, Mr Pesenti sold assets to reduce borrowings under Mediobanca's guidance. Italmobiliare slimmed down to its core cement business, retaining some sidelines in engineering, publishing and tourism. Meanwhile, Mr Pesenti won admirers, culminating in his appointment as chairman of Gemina, the Fiat-controlled investment and financial services group in which Mediobanca and Italmobiliare are also shareholders.

In the past two years, Ital-cementi, which has been sol-

idly profitable throughout, has been making a more public come-back and has been expanding at home and abroad. Last year, it bid unsuccessfully for Cementir, the stateowned cement group put up for sale by the IRI holding group, and Heracles, the Greek cementmaker, which fell to Ferruzzi's Calcestruzzi cement and building materials subsidiary. But Italcementi managed to purchase two of Czechoslovakia's leading cement producers. Buying into Ciments Francais was its biggest coup. With a combined production of

ITALCEMENT Group sales (Lbn) 1,661 1.582 Net group profits (After minority interests) Lbn

around 36m tonnes a year, the group is now the world's second-largest cementmaker. But even Italian plaudits for the purchase were clouded by

criticisms of its financing. In

spite of its liquidity, Ital-

cementi had to launch a rights issue, along with a convertible bond, raising about L650bn (\$500m) to help pay the L1,700bn purchase price. Minority shareholders were furious to be offered only nonvoting savings shares in the bond, and to have to pay the same price for ordinary and savings shares in the rights issue. Some were further

incensed by the sharp fall in

Italcementi's share price in the

run-up to the deal, triggering

demands for an investigation

into insider trading. ypically, Italcementi has made no official statement about the problems in France, while Mr Pesenti himself remains incom-

Company officials merely note that matters are being tackled jointly by Italcementi. Mediobanca, Ciments Français and Paribas, the French bank that controlled the French cement producer, and that all

an amicable solution.

Italcementi also stresses if will not suffer financially. It claims the recent devaluation of the lira has actually worked in its favour, as it had already bought French francs - now worth more in lira terms - to finance the deal prior to the lira's slide. Nor does the discovery of off-balance sheet losses at Ciments Français affect the "industrial logic" of the deal, it says.

However, it is still far from clear how easy it will be to plug the gap in the finances of Ciments Français, which was discovered by Italcementi's auditors, KPMG.

Two ideas are now being touted. Either Italcementi, which will not pay for the acquisition until year-end, will re-negotiate the price, or Paribas, as vendor, will make up the losses. Renegotiation could be a minefield in view of the fact that Ciments Français launched a big share placing in July. Though largely shunned by investors, allowing the Italians to pay less for the company could require compensation to shareholders who

subscribed to the issue. Hence Italcementi's apparent preference for the second option. Letting Paribas make up the "gap" in the accounts of Ciments Français means Italcementi would buy what it expected, and minority shareholders in Ciments Français could not claim compensation. With Paribas considering legal action, that idea so far seems to be more popular in Milan

Aker profits slip to NKr 369m

By Karen Fossii in Osio

AKER, the Norwegian cement, oil and gas technology group, yesterday reported a decline in profits to NKr369m (\$61.5m) from NKr445m for the first eight months. The company was saved from going into the red by a NKr880m profit on the disposal of its stake in Cia Valenciana de Cementos, the Spanish cement producer.

However, Aker did fall into an operating loss of NKr98m in

> US 5174,300,000 1410/1441 Broadway

the period, from a profit of operating revenue NKr341m last year, due to a NKr430m loss at Norwegian Contractors, part of the oil and gas technology division.

Mr Tom Ruud, Aker's president and chief executive, said that new equity and group transfers totalling NKr400m would be injected into NC before the end of the year. Aker's two main divisions

cement and oil and gas techincreased sales to lift group

NKr11.487bn from NKr8.303bn in the same period last year. The off and gas technology division increased sales by

NKr8.1bn to NKr7.534bn, although it fell into an operating loss of NKr228m from a profit of NKr211m last year, and order reserves rose to NKr15bn from NKr11.5bn in the period. The cement division lifted sales by NKr217m to NKr3.968bn. Operating losses fell by NKr2m to NKr58m

Board changes at East Asiatic

THE EAST Asiatic Company, one of Denmark's largest and oldest companies, has brought in outsiders for the first time as chairman of the supervisory board and chief executive, writes Hilary Barnes in Copen-hagen. Mr Michael Fiorini, 44, finance manager at the AP Moller shipping and oil group, has been appointed chief executive. Mr Jan Erlund, a lawyer with board experience on several shipping companies, is: to

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September 24, 1992



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Floating Rate Notes Due 1993 interest Amount per U.S. \$10,000 Note due U.S.\$365.42 13th April 1993

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October 1992



Central American Bank for **Economic Integration** (CABEI)

U.S. \$20,000,000

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The Industrial Bank of Japan, Limited Agent Bank

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Coupons due on 30th September, 1992 and 31st March, 1993 should-be detached from the Bearer Notes and surrendered for payment at any of the offices of the Paying Agents specified below in the usual manner.

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INTERNATIONAL COMPANIES AND FINANCE

Maxus

Record sales boost Intel quarterly income by 19%

By Louise Kehoe in San Francisco

PAY OCTOBER 11 kg

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However, it is sale that how easy in the class how easy in the class the class francis was a successful to the class francis f

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ian Paris,

INTEL, the leading US semiconductor_chip manufacturer, yesterday unveiled record third-quarter revenues and higher-than-anticipated

Net income rose 19 per cent to \$241m, or \$1.12 a share, from \$202,m or 96 cents, a year earlier. Revenue was \$1.43bb, up 20 per cent from \$1.19bn. This was the best quarter in

our history," said Mr Andrew Grove, chief executive. "Our products are enjoying broad acceptance in the marketplace: our factories are performing at record levels, and our bookings are excellent."

Third-quarter results were driven by strong personal computer sales as buyers took advantage of falling systems \$2.98 per share, against \$630m prices, intel is the leading sup- or \$3.01 1991. Revenues

plier of microprocessor chips were \$4bn, up from \$3.6bn. that form the "brains" of personal computers. Sales of Intel 486 microprocessors exceeded those of the older intel 386 products for the first time. "The Intel 486 microproces-

sor is clearly the new personal computer standard," noted Mr Grove. The company said business conditions were strongest in the US and Europe, although improvement was beginning to be seen in the Asia-Pacific area. The shift to the Intel 486, combined with a weak dollar, was fuelling business overseas, even in economically troubled Japan.

During the quarter Intel declared the first cash dividend it its history of 10 cents per For the first nine months,

net income was\$638m, or

between Intel and AMD. In June a jury found that AMD had used Intel "microcode", the internal programs that control a microprocessor, without licence. The case addressed an earlier math coprocessor chip, but forced AMD

> Now AMD believes that the jury decision "does not resolve questions related to AMD's rights to microcode in microprocessors", which will await a

to postpone plans to launch its

own versions of the 486 micro-

Advanced Micro Devices

which competes with Intel in

the microprocessor market,

said its was proceeding with

plans for a "timely introduc-

tion of its versions of the 486

microprocessor" following rul-

ings on Friday in a long-run-

ning copyright dispute

Strong improvement at CPC

By Nikki Talt in New York

CPC international, the US food company whose products range from Hellmann's mayonnaise to Knorr soups, saw after-tax profits rise from \$75.5m to \$117.4m in the three months to end-September.

The strong improvement came on sales up by 7.7 per cent to \$1.6bn, and translated into an increase in earnings. per share from 48 cents to 78

INGERSOLL-RAND and

Dresser Industries of the US are going ahead with a plan to

merge virtually all their world-

wide pump interests following

a decision by the US Justice

Department last month to drop

The formation of the joint venture, Ingersoll-Dresser

Pump, comes almost 18 months

after... they ...originally announced their intention to

its opposition to the scheme.

By Andrew Baxter ...

months to \$318.8m, compared with \$262.6m at the same stage in 1991. Sales for \$4.81bn, compared with \$4.64bn. CPC said that the advance

profits for the first nine

reflected "a solid pick-up" in the North American consumer foods business, and that it expected a good performance in the final quarter. It admitted, however, that it

was still feeling the "effects of recession" in several European The figures take after-tax • Procter & Gamble, the US

create the world's second-big-

gest pump company after

The move is the latest con-

solidation in the world pump

industry, and creates a com-pany with about \$900m of sales

last year and 8,000 employees.

facilities at Gateshead, Colesh-

III and Newark are included in

the deal but Dresser's Mono

Pump operations in the UK are

The merger was cleared by

In the UK, manufacturing

Rhara of Japan.

bousehold and personal care group, has formed a joint venture with Compania Manufacturera de Papeles y Cartones to market disposable dispers and feminine pads in Chile, Argentina, Paraguay, Uruguay and Bolivia, Reuter reports from Cincinnati.

The company said the joint venture business in Chile would be conducted through

Prosan, one of the companies in the Compania Manufacturera group, and each partner would have a 50 per cent stake. Ingersoll-Dresser plan cleared

the European Community in

January, but a month later the

Justice Department said the

deal was likely to lessen com-

petition substantially in the US

in the manufacture and sale of

But on September 28 the

department said it would not

challenge the merger in court

because the two companies

had agreed to sell certain

pump lines and assets to Gould

various types of highly engi-

Reuter reports from Cincindevelopment facility in Har-400 jobs, the company said.

shares jump on insider settlement

By Patrick Harverson

SHARES in Maxus Energy, a Texas oil company, rose sharply in New York yesterday on the news that Kidder, Peabody, the Wall Street investment bank, had agreed over the weekend to pay Maxus \$165m to settle an insider-trading lawsuit that was due to go

to trial later this week. The lawsuit was originally filed in 1987. It alleged that insider trading by Mr Martin Slegel, a former senior executive at Kidder, and Mr Ivan Boesky, the disgraced arbitrageur imprisoned for insider trading in 1988, forced Maxus' predecessor company, Diamond Shamrock, to pay too much in its 1983 takeover of Natomas, a Sau Francisco

based energy company.

According to Maxus, Mr Boesky used confidential infornation supplied by Mr Siegel, who at the time was acting as Kidder's adviser to Diamond Shamrock, to force up the price of Natomas just before Diamond Shamrock paid

\$1.27bn for the company. Under the agreement, Kidder will pay Maxus \$125m in casi, plus \$40m in exchange for fiveyear warrants to buy 8m Maxus shares at \$13 each. Both sides said they settled the lawsuit to avoid the cost

and time of litigation. News of the settlement deased Maxus investors, who bld up the stock \$%, or more than 5 per cent, to \$7%.

The share price of General Electric, Kidder's parent, was not affected. Kidder said the payment to Maxus would have no material impact on its business because the firm had already set aside reserves relating to the matter.

US Shoe shuts plant

US SHOE, the US retailer, is closing its Ripley, Ohio, plant, nati. The closure, and employ-ment cuts at a related product rison. Ohio, will affect about

Corning blames **Dow venture** for flat returns

By Karen Zagor in New York

CORNING, the US specialty glass group, yesterday reported flat third-quarter net earnings of \$107m, or 57 cents a share, compared with \$106.7m, or 57 cents, a year ago.

Stripping out one-time gains of 1 cent a share in the 1992 quarter and 4 cents a share a year earlier, Corning said its earnings per share rose 4 per cent in the latest quarter. Sales grew 20 per cent in the three months, to \$1.15bn from

For the first nine months, Corning earned \$257.2m, or \$1.36. against \$231.2m, or \$1.24 last year. Sales advanced to

\$2.87bn from \$2.43bn. Mr James Houghton, chairman, said earnings from consolidated operations showed strong growth in the quarter. The modest earnings performance, in spite of strong sales growth, was blamed on a \$15m

decline in earnings from Corning's equity companies, particularly Dow Corning.

Equity income from Dow Corning, the 50-50 joint venture between Dow Chemical and Corning which was once the leading US manufacturer of silicone breast implants, dropped \$12m in the quarter.

Although Dow Corning did not take any charges linked to its now defunct silicone breast implant operations, the joint venture yesterday reported a 60 per cent drop in third quarter net income.

For the latest quarter, Dow Corning's net income was \$16.4m, against \$40.5m, on sales of \$500.6m against \$458.7m.

About half of the profits fall was blamed on losses in financial transactions linked to the recent unheaval in European financial markets. Weak open ating results accounted for the

Pacific Enterprises sells energy assets for \$371m

PACIFIC Enterprises, the US 5 per cent, or \$324m, of its energy group, is to sell a large part of its domestic oil and natural gas assets to Hunt Oil of Dallas for \$371m, Reuter reports from Los Angeles. The proceeds will be used to reduce

Pacific Enterprises said it took a \$156m, or \$2.09 per common share, after-tax charge against earnings to reflect an expected loss on the sale. The agreement is for the bulk of the company's oil and gas exploration and production

operations, which in 1991 were

operating revenues and 10 per cent, or \$689m, of total assets. Mr Willis Wood, chairman and president, said the sale was part of a restructuring plan under which the company will divest from its non-utility businesses to focus on its core business, the Southern California Gas Co. He added that, by the end of

1992, he expected to complete negotiations to sell the company's Canadian oil and gas exploration and production

General Motors averts strike

GENERAL MOTORS and the United Auto Workers Union have reached an agreement to avert a strike at a key parts plant at Anderson, Indiana, Reuter reports.

The plant, part of the US 240 jobs to the plant over a carmaker's Inland Fisher two-year period.

Guide division, supplies exterior lighting and bumpers for virtually all of the company's North American assembly plants.

GM said it had agreed to add

MIDLAND BANK PLC

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and US \$300,000,000 Undated Floating Rate Primary Capital Notes (Series 3)

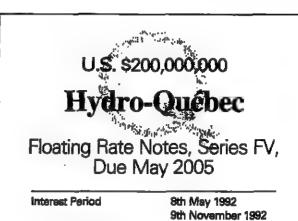
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13th October, 1992

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Interest Amount per U.S. \$10,000 Note due 9th November 1992

U.S. \$256,95

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October 1992



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INTERNATIONAL COMPANIES AND FINANCE

Campbell launches bid for Arnotts

By Kevin Brown in Sydney and Nikki Talt in New York

CAMPBELL Soup, the US foodmaker, yesterday launched a surprise A\$8.80 a share offer for Arnotts, the Australian bis-cuit maker, in which it holds a 32.9 per cent stake.

Campbell, which has a sizeable biscuit and bakery division in the US where it manu-factures the "Pepperidge Farm" brand, said its objective was to secure control of Arnotts by acquiring a further 17.2 per cent of the shares at a cost of A\$209m (\$149.20). However, the group said it was prepared to move to 100 per cent control at a cost of A\$943m.

ment Review Board (FIRB), values Arnotts at A\$1.2bn. Campbell already has FIRB approval to acquire up to 40 per cent of Arnotts.

The offer, which is subject to

approval by the Foreign Invest-

Arnotts, which was informed of the offer only minutes before it was announced by the Australian Stock Exchange. advised shareholders to take no action until after a sched-

uled board meeting tomorrow. Schroders Australia, the investment bank appointed to advise the Arnotts' board, said the offer was "not nearly good enough" to secure control of the group's large range of pre-

"I would have thought a first shot across the bows would have been in the region of A\$12," said Mr Paul Binstead, a director of Schroders' investment banking division.

Analysts said the small pre-

mium over Arnotts' closing share price of A\$8 suggested Campbell was testing the market, possibly to flush out potential rival bidders such as Pacific Dunlop, the diversified Australian manufacturer, or United Biscuits of the UK.

Mr David Johnson, Camp-bell's chief executive and himself an Australian, said the offer was "a logical extension" of the technical and marketing relationship between the com-panies, which began in 1985

when Campbell helped Arnotts resist a bid by Mr Alan Bond. "We are sharing high-value ideas, technology, and know-how with Arnotts. We need majority ownership to justify

sharing of our proprietary assets," he told the Arnotts board in a letter. Campbell had started to buy shares in Arnotts in 1984, and pointed out yesterday that it was "invited by the Arnotts board to become a major share-

bell has two representatives on the Arnotts' board. Mr Johnson said Campbell would develop Arnotts' dominant position in Australia and help it increase sales in Asia, widely seen as a potentially lucrative market for Austra-

holder in 1985". Today, Camp-

lian food manufacturers. Arnotts', he indicated, would become Campbell's "pan-regional brand" in Asia, and could utilise the US food company's sales and distribution network in the region.

The US company's existing biscuit and bakery division had

sales in the year to August of \$808.6m and operating profits of \$90.6m.

The world food and biscuit industry is becoming increasingly globalised. Arnotts needs a global partner to help it take advantage of new opportuni-ties," he said.

Campbell said Arnotts would remain a stand-alone company run by its current management

Analysts said this was probably an attempt to deflect criticism of the sale of the company's well known brand names

to an overseas owner.

The offer is the fourth hig development in the Australasian food market in little more than a year.

In the earlier deals, Pacific Dunlop acquired Petersville Sleigh from the collapsed Adsteam group last year, while Goodman Fielder Wattie sold its Wattie offshoot in New Zealand to Heinz of the US for A\$428m and bought the Uncle Toby's group in Australia for

Maybank

pre-tax up

26.1% to

Alcoa falls 33% to A\$203.5m

By Kevin Brown

ALCOA of Australia, the aluminium group, yesterday blamed weak world prices for a 33 per cent fall in net profit to A\$203.5m (US\$145.30m) in the nine months to the end of September, on sales down 20 per cent to A\$1.5bn.

Alcoa said lower prices for alumina, aluminium and gold contributed to the fall in earnings, but were partly offset by lower energy and power costs and a marginally weaker Australian currency.

Alcoa said aluminium prices had fallen below US\$1,200 per

SINGAPORE Airlines (SIA)

would not try to exert close

management control over

Qantas - the Australian inter-

national carrier which the gov-

ernment is planning to privatise - if it succeeded in taking

a 20 per cent holding, Mr JY Pillay, SIA's chairman, said

In a warning to Canberra

over the future independence

of Qantas, he contrasted this

promise with British Airways'

apparent plans to direct the

activities of USAir, in which it

proposes to acquire a 44 per cent stake for \$750m .

A GROUP of 13 Maori tribes,

has failed to stop the New Zea-

land government backing a

deal that could see forestry group Carter Holt Harvey sell-ing its Sealord fishing division

to a joint venture of Maori peo-

The dissident group, includ-

ing Maori from the distant

Chatham Islands, opposed a

deal that was previously

agreed by most Maori tribes.

This was supposed to be a

"final settlement" of all fishing

claims dating back to the

Treaty of Waitangi signed with

Ampolex plans

in five years

from Sydney.

in the year to June.

the next few years."

to double output

AMPOLEX, the Australian oil

producer, plans to double its

output and spend around

A\$1.4bn (US\$1bn) on develop-

ment and exploration over the

next five years, Reuter reports

Ampolex's production has

grown rapidly in recent years,

reaching a record 6.4m barrels

Mr Campbell Anderson.

chairman, said in his annual

report: "The board's ambition

adding to proven reserves, over

to double this again, while

Mr Justice Heron, in the

the British in 1840.

ple and Brierley Investments.

yesterday.

earlier this year. However, alumina's price, which provides about three-quarters of revenue, had improved from about

US\$140 per tonne to US\$160. Net profits were also boosted by settlement of a tax dispute which reduced the tax payment from AS198m to AS126m. "While conditions in the

company is confident it has the capacity to respond to the requirements of its customers as markets improve," the directors said

Alcoa last month paid a fully-franked annual dividend of

SIA chairman gives Qantas pledge

The UK carrier has, how-

ever, denied such plans,

describing its proposed USAir

investment as a partnership.

BA - which has also expressed interest in buying a

stake in Qantas - would have a veto of USAir board decisions

in spite of only having a minority shareholding. "We do not

want a BA/USAir-type deal,"

Canberra is particularly sen-

sitive to accusations of giving

up control of the national air-

A significant interest in

line before elections next year.

High Court in Weilington, yes-

terday rejected a bid to order

the Crown not to settle the

deal until there was a full

court hearing about the rights

of Maori who didn't agree with

His decision permits the gov-

ernment to lend the Maori peo-

ple NZ\$150m (US\$81m) to form

Investments to buy Sealord,

which is New Zealand's higgest

deep-sea operator, and owns 26

per cent of all New Zealand

Mr Justice Heron refused to

grant approval for the objec-

tors to continue the case. He

rolled that a substantive hear-

ing, involving points raised by

WORLD Trade Centre (WTC), a

company in the Tomson Pacific

group headed by Macao casino

entrepreneur Mr Stanley Ho,

has agreed to sell the Hong-

kong World Trade Centre to Resourceful River, a mainland

Chinese concern, for HK\$2.5bn

(US\$323m), Reuter reports

from Hong Kong.

Mr David Lee, WTC general manager, said the deal to sell the shopping and office complex in Hong Kong's Causeway

Bay district would bring a net

profit of about HK\$650m. Shareholders have yet to approve the deal.

joint venture with Brierley

said Mr Pillay.

Brierley close to Sealord deal

the settlement.

fish quota.

tonne after exceeding US\$1,300 A\$80m, taking its total dividend payments for the nine months to A\$180m, a return of 43.3 cents a share.

Alcoa is 48.3 per cent owned by Western Mining Corporation, the Australian resources group. Western Mining warned shareholders in its annual statement that markets for most of its mineral products were likely to remain depressed in the current year. industry remain difficult, the

"Improvements in the major world economies appear slow at best and 1992-93 will most likely be another poor year for the mineral industry," said Sir

BA chairman, said the airline

the Asia Pacific market.

worked out.

lot better".

Qentas would help BA fulfil its heavily loss-making routes

plan to build a global airline. especially in the highly com-Earlier this year, Lord King, petitive domestic US market.

needed a stronger presence in

Mr Pillay said SIA wanued

board representation only in

proportion to its stake, but that details had yet to be

The link would reinforce

region. Mr Pillay admitted that

its ties with Delta, the US car-

rier with which it has a 5 per

cent crossholding, "could be a

the objectors, could be heard

been negotiating for years to

try to settle Maori fishing

Maori and the Crown have

Some Maori had already

signed the deal, but others

refused or said it was signed

on their behalf without author-

major obstacle for the Maori-

Brierley Investments offer for

Sealord to go ahead. A rival

group, led by a Danish group Royal Greenland, has also said

Carter Holt Harvey is expec-

in May, Hongkong Land sold

a central district block to a

Chinese consortium for

Mr Lee said: "The proceeds

will be used to repay debts, finance the company's various

projects in China, and for stra-

tegic investment in Hong Kong

On September 1, the Hong

Kong government appointed an

inspector to probe the affairs of

WTC and Tomson Pacific after

a Securities and Futures Com-

mission investigation into cer-

tain share deals by the two

and south-east Asia."

ted to make a decision on the

it is bidding for Sealord.

rival bids shortly.

HK\$3.8bn.

companies.

WTC agrees sale of HK

office complex to China

The hearing removes the

before the year-end.

Delta has been "pre-occu-

M\$560m By Kieran Cooks

in Singapore MAYBANK, Malaysia's biggest banking group, has reported

(US\$223.3m) for the year to June, a rise of 26.1 per cent on the previous year's figure. Maybank's commercial and merchant banking activities accounted for M\$472m of the

1992 profits. Finance and leasing operations contributed M\$72m, with other activities contribut ing the remainder.

taxable profits of M\$560m

Maybank has concentrated on its home market and therefore benefited from the rapid growth of the Malaysian economy over the past four years. More than 80 per cent of the group's taxable profits came frem its operations in Malaysia, while about 12 per cent came from activities in Singa-

SIA's position in the Pacific Maybank also has operations in Brunel, Hong Kong, London and New York. Mr Ahmad Mohamed Don. managing director, said growth prospects for the bank pied" with dealing with its continued to be favourable given the continued growth of the Malaysian economy. In each of the last four years. Malaysia's economy has grown by more than 8 per cent. The latest estimates are for growth-

of 8.7 per cent this year. Mr Ahmad also announced: that Maybank had acquired a life insurance licence through the M\$15m purchase of Safety Life & General Insur-

The life insurance business in Malaysia is considered to be underdeveloped, and Mr Ahmad said the sector had the potential for long-term growth. According to Bank Negara, Malaysia's central bank, the number of new life. insurance policies rose by 25 per cent in 1991.

Rights issue by St George Bank 93% subscribed

ST GEORGE Bank, formerly Australia's biggest building society, yesterday said its A\$102m one-for-five renounceable rights issue had closed 93.3 per cent subscribed, Reuter reports. The issue of 22.2m new ordinary shares offered at A\$4.60 (\$3.28) each, fully: underwritten by BT Securities, increases shareholders' funds to more than A\$564m. ...

Correction

Gold Fields

GOLD Fields of South Africa will soon decide on the future of its Doornfontein mine, not its Deelkraal mine as reported in the FT on October 7.

U.S. \$250,000,000 National Australia 🚜 Bank

Undated Subordinated Floating Rate Notes

Notice is hereby given that for the six months interest Period from October 13, 1992 to April 13, 1993 the Notes will carry an Interest Rate of 3.4625% per armum. The interest payable on the relevant interest payment date, April 13, 1993 will be U.S. \$4,376.22 and U.S. \$175.05 respectively for Notes in denominations of U.S. \$250,000 and U.S. \$10,000.

By: The Chase Manhettan Bank, N.A. London, Agent Bank

October 13, 1992



U.S. \$100,000,000



Takugin International (Asia) Limited

Guaranteed Floating Rate Notes due 1997 Guaranteed as to payment of principal and interest by The Hokkaido Takushoku Bank, Limited (Incorporated in Japan)

In accordance with the provisions of the Notes, notice is hereby. given, that for the six month Interest Period from October 13, 1992 to April 13, 1993 the Notes will carry an Interest Rate of 3% per annum. The Interest amount payable on the relevant interest payment date, April 13, 1993 will be U.S. \$180.10 for each Note of U.S. \$10,000 denomination and U.S. \$4,502.60 for each Note of U.S. \$250,000 denomination.

By: The Chase Manhattan Bank, N.A. London, Agent Bank October 13, 1992

O CHASE

INTERNATIONAL CAPITAL MARKETS

Heavyweight borrowers concentrate on the D-Mark

By Tracy Corrigan

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Ceran Cooke

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SOVERBION . and supranational borrowers with are focusing their attention on the D-Mark sector of the Eurobond market, one of the few where large financings can still

Sweden announced a DM3bn offering of five-year bonds, due to be priced today at an indi-cated yield spread of 45 to 50 basis points over the German BOBL (short-term government

The fixing of the price by consensus between underwriters is a new mechanism for the German market, and is designed to help improve the market's transparency. In addition, the European Investment Bank launched a

DM1bn issue of 10-year bonds. and Compagnie Bancaire, the French financial group, launched a DM250m five-year deal via Commerzbank. The flow of issues in the

borrowers, including Norway, growing funding needs to meet Finland, Italy and Spain are also considering tapping the

market. In addition, the UK has been in discussions with German banks about a D-Mark financing, as part of its Eculobn international financing package announced last month.

The flight of capital into the safe baven of the Bund market last month has benefited

INTERNATIONAL BONDS

D-Mark Eurobonds, but the international institutional investors that it can offer adequate liquidity.

"This is just the beginning of the era of D-Mark Eurobonds," sald one German syndicate manager. "The market will supersede the Ecu sector."

Dresdner Bank and Morgan Stanley, joint lead managers of Sweden's offering, reported strong demand from central banks, international institutions and domestic fund man-

The indicated spread over German government bonds reflects worries about Sweden's economic problems, according to bankers.

In addition, the bonds offer a

spread of about 15 basis points over Schuldscheine yields, which should help attract German investors. Sweden has an ambitious

SKr110bn funding programme, although there is no set time limit for raising this amount, The Kingdom is already increasing the size of its US commercial paper programme from \$2bn to \$9bn and its Eurocommercial paper programme

D-Mark market is expected to ... The capacity of the market from \$3bn to \$6bn, according to continue through the coming weeks. A number of sovereign borrowers, including Norway, demand seems to be holding up demand seems to be holding up demand seems to be holding up defined by hanks. The bonds of breed addition, Sweden's shelf register that the same and the same and the same arranged by Westl.B was more aggressive, having the best based on competitive bids by hanks. The bonds of breed addition, Sweden's shelf register that the same arranged by Westl.B was more aggressive. tration for the issuance of bonds in the US market is expected to be increased from

> its current size of \$1.2bn. However, today's offering is the first bond issue since the funding target was set. "We will not be in the market every week, but our ambition is to return for further funding," said Ms Holm.

The pricing of the EIB's 10-

only a slight yield pick-up over the 10-year Bund yield.

Even then, the deal illustrated the increase in funding costs for the EIB, since it lost its tax-exempt status in Italy last month. The cost of the deal, in floating-rate terms. was around 38 basis points below the London interbank offered rate, an increase of 50 basis points.

Both the Sweden and the EIB deals are expected to become trading benchmarks in the sec

Elsewhere, the World Bank is preparing to launch its longawaited Y200bn global bond offering later this week. The deal is arranged by Daiwa, Goldman Sachs and Nomura

In the domestic sterling market, the Housing Finance Corporation, which funds housing trusts, added a £80m tranche to its existing issue of 11% per cent bonds due 2016.

NEW INTERNATIONAL BOND ISSUES

	Maturity	Price	Coupon %	Amount ra.	lorrower Laminus
1 ½ / 1 ½ % 2/1 ¼ 5à	2002 1997	102.25	7 S 7,75	16n 250	European Inv. Bank Compagnie Bancaire
62.5bp	2018	103.221	11.5	80	STERLING Housing Finance Corp.(a)
					WISS FRANCS
	1996	100	25	360	Canon Salos Co.(b)♦★★
	1996 1999	101 5	2.5 6.25	360 150	Canon Salos Co.(b) *** Energie Beheer Ned.**
5bp	2/1 62	1997 2/1 2018 52	103.221 2018 62 100 1996	7.75 (01.25 1997 2/1 11.5 103.221 2016 62 2.5 100 1896	80 11.5 103.221 2016 52 360 2.5 100 1996

Hopes for Bundesbank rate cut begin to evaporate

By Richard Waters.

EUROPEAN government bond markets lost ground yesterday as investors' faith in a German interest rate cut at this Thursday's Bundesbank council meeting weakened.

The prospect of European leaders gathering for the Birmingham summit at the end of the week also left the bond markets uneasy. The general opinion was that the EC's political leaders could well do more harm than good in the short term to the cause of closer European integration.

Ten-year German government bonds fell back about a third of a point as the market decided that recent optimism about Bundesbank easing may

have been overdone. The possibility of a substantial supply of new bonds in the coming months is also dampening the enthusiasm of the market, with some DM40hn of this year's deficit still to be funded. in addition, a court ruling on income tax allowances, expected imminently, could add furforces Bonn to raise allowances for the lower paid, thus cutting

On Liffe, the bund futures con- the chancellor's annual Man- against bunds (their yield tract fell from 91.10 to 90.76 by the close on the general fall-off. The Euro-Mark futures contract on Liffe, meanwhile, reflected the lowering of expectation of a rate cut, with the December contract discounting a rate of 8% per cent by the end of the day, compared with 8% per cent at the opening.

GOVERNMENT

market levels, though, suggesting that there could be a sharp market correction, said Mr George Magnus, an economist at SG Warburg in London.

That is still well below current

■ LONGER-dated UK government bonds also lost some ground yesterday, although short-dated paper rose as expectations grew of a 1/2-point cut in interest rates later this week. Mr Norman Lamont, the chancellor, failed to provide any new stimulus for the gilt market as he appeared to and no further indication of the direction of UK economic

FT/ISMA INTERNATIONAL BOND SERVICE

sion House speech at the end of the month Data due out during the rest of this week are all expected to

point to the possibility of lower interest rates; producer prices today, industrial production on Wednesday and employment on Thursday. The figures are all expected to show a deepening of the UK recession, and with the foreign exchange market already pricing in a rate cut, the government is widely expected to take the opportunity to pull the base rate down from its current 9 per cent level - where it continues to sit above German money mar-

The long gilt futures contract on Life slid from 961 at the opening to 964 late in the day, while the benchmark 9 per cent gilts due 2008 lost 1 point to close at 98%.

ket levels.

■ OTHER European markets generally fell in line with Germany, marking time before the Birmingham summit. Some markets, such as France. Denmark and even Italy, are said to be attracting greater interest as investors come to focus policy is now expected until on their relative cheapness spreads against 10-year German government bonds now stand at 110, 186 and 711 basis

points respectively). However, with the European markets still anticipating a further realignment in the exchange rate mechanism, few are willing yet to buy these markets on the argument that they look cheap, said Mr Stephen Lewis, economist at the London Bond Broking Com-

■ WITH Alan Greenspan. chairman of the US Federal Reserve, travelling to Japan this week, some market commentators have sniffed the pos sibility of co-ordinated action to bring down interest rates on both sides of the Pacific. Mr Greenspan's comments that the Fed could act before the presidential election next month has also raised hopes in some quarters.

With the Fed having failed to take the opportunity to cut last week, however, there remains little indication that it will act now. And for its part, the Bank of Japan remains neutral on the question of any ODR cut, despite little sign that the eco-

BENCHMARK GOVERNMENT BONDS

		Coupon	Date	Price	Change	Yleid	ago	ago
AUSTRAL	IA.	10.000	10/02	108.4686	+0.380	8.71	1.09	Lin
BELGIUM		#795	06/02	102 3000	-0.250	8 38	8.47	8.88
ÇANADA		8.500	04/02	104.7000	-0.350	7.79	7 72	7.35
DENMAR	<	9 (00)	11/00	97.4500	+ 0.250	9.45	9.70	9,79
PRANCE	BTAN	8.500 8.500	03/97 11/02	89.4125 100 0750		8 64 8 46	19.87 8.59	8,97 0.82
GERMAN	4	5.000	07/02	103.4650	-0.350	7.48	7.34	7.76
ITALY		12.000	05/02	89.4550	-0.30	14 631	14.51	14,26
JAPAN	No 119 No 145	4.800 5.500	06/99	104.0737	-0.034	4,70 4,87	4.6E A.7E	4.78
NETHERL	ANDS	8.250	06/02	103.3400	-0.180	7.74	7.72	1,26
SPAIN		10.300	06/02	84,4500	-	13 21	13.68	19,07
UK GILTS		10 000 9 750 9 000	11/96 08/02 10/08	106-21 105-00 96-02	+ 3/32 + 3/32 -2/10	8.33 8.97 9.23	8.67 9.26 9.54	9.85 9.30 8.94
UE TREA	SURV	6.375 7,250	08/02 08/22	98-08 96-31	+ 1/32	8.46 7.30	6 21 7.33	8 33 7,25
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Prices: US, UK in 32nds, others in decimal Technical Date/ATLAS Price Source

nomic package to stimulate the economy is having any effect. With the Tokyo stock market having stabilised at around the 17.000 level, there is also little immediate pressure on the authorities. The US markets were closed yesterday for the Columbus day holiday, while in Japan the benchmark bond No 145 eased slightly to close at yield of 4.87 per cent.

 Two Japanese second-tier brokerages are closing some overseas offices as a part of rationalisation plans in the face of a sluggish stock market at home. Reuter reports from Tokyo. Sanyo Securities closed its Los Angeles branch on October 9 and will close its Bahrain office on October 30. Okasan Securities is closing its Frankfurt office on Monday.

Bratislava to set up options and futures exchange

By Christopher Brown-Humes

SWEDEN'S OM group has agreed with a consortium of Slovak companies to set up a futures and options exchange

in Bratislava, the first of its type in eastern Europe. The move is being made to help domestic funds and private investors manage the risks associated with equity investments as Slovakia embarks on an extensive privatisation process.

As eastern European countries rush to buy "off-the-peg" stock markets, Slovakia is the first to buy a ready-built deriv-

atives market. Yesterday's announcement prompted questions from derivatives experts about whether such a market could succeed. Slovakia does not yet have a formal stock exchange, let alone the liquid stock exchange normally considered a pre-requisite for a successful derivatives market.

"Having your own derivatives exchange - or even your own stock market - is getting to be like having your own airline. Everyone wants one, but they can't all survive," one expert said.

Mr Bjorn Unger, president of OM Systems international AB, said the options market was being established first because current Slovak legislation prohibited the sale of shares for the first year they are held. "This has created a need. mainly among institutional

investors, to manage the risks

inherent in their investments," he stated The exchange will be called

Exchange, and OM hopes it will be operating by the middle of next year.

The Swedish group will deliver the system and knowhow for the exchange. At the same time, it will take 30 per cent of the exchange's initial Kes60m (\$2.2m) capital, with the balance being held by leading companies from Slovak

Trading will be conducted by telephone and clearing will be handled centrally on the

Mr Unger expects that the participants will be confined to domestic mutual funds and prialthough he believes foreign groups may eventually take part. Initially, dealing will take place in up to 10 privatised

The privatisation process is already underway in Slovakia, with coupons being purchased by private investors and institutions. But the first wave of Slovak companies is not expected to be in the private sector

before the end of this year. Mr Unger dismissed sugge tions that investors in Slovakia would be too unsophisticated to make use of the exchange, saying "education is a problem we meet almost everywhere".

Slovakia is currently break ing away from the Czech lands. but this had had no impact on the exchange project, Mr Unger

OM, which conducts exchange and clearing operations in Sweden and the UK, has previously delivered systems and know-how to futures and options markets in Finland, France, Norway, the Bratislava Options Spain and Austria.

FT FIXED INTEREST INDICES Year Oct 12 Oct 8 Oct 5 Oct 7 Oct 6 ago High " Low" 89.70 89.62 84.86 88.33 88.04 88.70 90.11 65.11 103.95 103.73 103.01 102.71 102.31 96.47 108.45 97.15 GILT EDGED ACTIVITY Det 9 Det 6 Oct 6 Det 5 Oct 7 CDL Edged Bergeles 5-Day average Indices: SE activity 1974

MARKET STATISTICS

RISES AND FALLS YESTERDAY

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A 175 PAGE TOP 196	U.S. POLLAR STRAIGHTS ABN 91/8 94 ALBERTA PROVINCE 93/8 95	165mad 200 400 400 25ii 150 350 1000 100 100 1571	1075	Offer 1054	day	Yield	OTHER STRAIGHTS COPERHAGEN TELB 5/8 % LIF	34344E	97 %	984 99		Yield 9.48
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و المناه المناه	BLECDE FRANCE 71M 06 RMLAND 71/499	300	10412	1041		6.52	VINTED KINGDOM -1/8 %	4000 165	98.96 99.73 99.79	99.	9 10	.0006 3500
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الإيس كلفائم وحرمون	FINLAND 6 3/4 96	30000	103	1111		5,44	OGDEN 6 02	90	1.775	27 1	187 H	172
NOTES BUR 1881	LEMARKY 79 ELEO DE FRANCE 5 58 % FINLAND 5 34 % OTHER AMER DEV 7 1/4 00 LANSAI ELECTWIR 4 7/8 94 MIPPAN TEL 7 EL 5 7/8 % MERNAY 5 1/8 95 SVETA 1.28 95	60000	IONL	101	+1	4 10	SUMITOMO BANK 3 1/804 Texas instruments 2 3/4 02	300 . 300	5606 9 B2 %	68 95 9	67 + 54 +	0.01 19,44
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ara Limbo	SNCF 6 3/4 00	30000	1084 102	108 ¹ 2 102 ¹ 4	-4	5.86 4.70	* No information available - previo	n day's	orice			
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ara lattice	day.	,. w 1	Latio — ·	×			Scaled Coupon shown is minimum.	Sores:	= Meralr	n above	ela-m	enth
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Hongl The Hongkong and to	Shanghai Bai	nking Corpora	ition Limited
U.S PRIMARY CAPITA			
Notice is hereby given and that the interest January 13, 1983 in re and in respect of \$100	payable on the spect of \$5.000	he relevent into O nominel of the	rest Payment Date Notes will be \$43.92
October 13, 1992, Land By: Citibank, N.A. (Issue		ent Bank	CITIBANCO

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FIX	ED I	NTE	RES	f			AVERAGE GROSS REDEMPTION Y		Mon Oct 12	Fri Oct 9	Year ago (approx.)
PRICE INDICES	Mon Oct 12	Day's change	Fri Oct 9	Accrued Interest	xd adj. 1992 to date	2	Coupons 1!	5 years 5 years .	7.87 8.76	7.91 0.77	8 73 9.49
British Government 1 Up to 5 years (22) 2 5-15 years (25) 3 Over 15 years (8) 4 Irredeemables (6) 5 All stocks (61)	124.67 139.57 145.10 164.69	+0.09 +0.10 +0.29	124 80 139 45 144.96 164.21 136.70	2.25 1.84 3.88	10.59 9.97 8.63	456789	Medium Coupons 11 (8%-10¾%) 20 High Coupons 11) years	8.99 8.45 9.24 9.36 8.74 9.52 9.56 9.38	9.00 8 48 9 24 9.36 5.77 9.53 9.57 9.41	9.49 9.77 9.63 9.58 9.97 9.71 9.63 9.68
Index-Linked 6 Up to 5 years (2) 7 Over 5 years (10) 8 All stocks (12) 9 Debs & Laans (62)	176.00 158.45 159.67	+0.03 +0.05 +0.05	176.38 158.36 159.64	0.14 0.98 0.87		12 14 15	Index-Linked Inflation rate 5% Inflation rate 5% Inflation rate 10% Inflation rate 10% Debs & Louis		3.57 4.11 2.72 3.91 4.92 10.54 10.60	3.57 4.11 2.72 3.91 9.91 10.58 10.67	3.78 4.20 3.12 4.01 11.29 11.13 10.97

By Andrew Taylor. Construction Correspondent

MR SIMON Keswick yesterday confirmed that his Hongkong Land company had failed to increase its stake in Trafalgar House beyond the 14.9 per cent it acquired on October I.

Mr Keswick, chairman, later met Trafalgar House directors to discuss possible boardroom changes at the UK engineering. construction, property, hotels and shipping group.

The positions of Sir Eric Parker. Trafalgar's chief executive, and Sir Nigel Broackes, chairman, are thought to be vulnerable following the Hongkong Land approach and recent shareholder criticism of the group's management. The Trafalgar board said dis-

whether Hongkong Land would be invited to the board. It said that a full statement on various matters would be made in due course. Hongkong Land had sought to raise its stake to 29.9 per cent, but said that it had received acceptances increas-

cussions with Hongkong Land

had been amicable but no deci-

sion had been taken on man-

agement changes, including on

fore, had been declared void. Mr Keswick said his company had achieved its objective of acquiring a strategic investment in Trafalgar, which owned several world class busi-

ing its holdings by only I per

cent. The tender offer, there-

He said: "Provided the company (Hongkong Land) is adequately represented on the long term and it will devote its resources to the future expansion and development of Trafalgar.

"The investment in Trafalgar represents some 3 per cent of HongKong Land's shareholders funds and leaves the company well placed to pursue other investment opportunities such ment of Hong Kong's newest container terminal.

"In this task Hongkong Land will be able to call upon the assistance of the wider Jardine Matheson Group.

Jardine controls 33 per cent of Hongkong Land and jointly owns with Trafalgar, Gammon construction group in Hong

Tay dips 26% but lifts payment

TAY HOMES, the Leeds-based housebuilder, saw year-end pre-tax profits dip 26 per cent in depressed conditions. But increased turnover, including the sale of more than 1,000 housing units for the first time. and reduced gearing enabled the company to push dividends up 10 per cent to 5.85p.

Taxable profits in the year to June 30 1992 declined to £6.14m (£8.26m) on sales of £76.22m (£70.58m). Operating profits were down to £9.25m (£11.63m). Reduced gearing of 47 per

cent (66 per cent) on borrow-

ings of £14.2m was partly due to a shift of costs on a show house joint venture being shifted off balance sheet. Interest charges fell to £3.11m

Mr Trevor Spencer, chairman, said the year-end figures were an excellent achievement in uniquely difficult conditions. He said that while a forecast was difficult, the group's ability to generate profit reflected its capacity to weather the recession and recover strongly when conditions improved.

Sales of houses, mainly in Yorkshire, surpassed 1,000

units for the first time to hit 1.094 (849). The Midlands was also bouncy but trading in Scotland declined. Average prices dipped to £64,900

Sales of plots from the group's land bank, which stood at 4,800 units at year-end, totalled £1.4m (£2.3m). Funds tied up in part-exchange homes totalled £5.8m

(£74,300), reflecting a focus on

cheaper housing.

(£5.2m) at year-end. Shareholders funds rose to £30.31m (£28.05m) representing assets per share of 138.2p (127.9p). Earnings declined to 18.ip (25.1p).

Lucas puts new components in place

Paul Cheeseright details the three-year programme designed to meet changing markets

UCAS INDUSTRIES has joined the lengthening list of large engineering groups engaged in changing the shape of its business.

A three-year programme, embracing the normal gamut of cost reduction moves, seeks to bring the group more closely into tune with the changing relationship between component manufacturers and the assemblers of finished aircraft and motor vehicles. Competition in the aerospace

and automotive industries, where Lucas does the greater part of its business, has become harsher as recession has deepened.

At the same time, the main vehicle and aircraft manufacturers are reducing the number of their suppliers. They prefer the stability of a ong-term relationship with a limited number of suppliers to a shifting free-for-all based on tenders for a particular prod-

As its customers change their habits, Lucas changes its own. But it is changing them against the background of a deteriorating financial position which has pushed it, like GKN, Glynwed and a host of other engineering groups, into a search for economies.

The most obvious manifestation has been the growing number of job losses, which at Lucas will take the size of the payroll to fewer than 50,000 from more than 57,000 in July

The changes at Lucas include following the conventional dictum of cutting back to core activities. It is putting



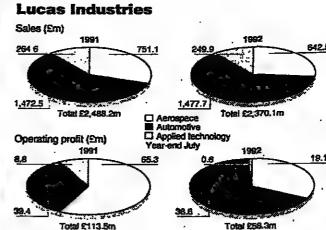
Sir Anthony Gill: warned government that it should keep inflation down

up for sale companies which could raise about £100m during the current financial year. The first four to go have combined sales of about £150m a year and employ in the region of

The biggest is the fluid power distribution business. which has most of its sales in the US, Autocentres, a vehicle parts business in the UK with 65 outlets, Defence Fabrications, which makes missile casings in Burnley, and Aircraft Transparencies, a Luton company making aircraft win-

The group has also started to consolidate its plants, narrowing the geographical range of its factories, to have, for example, one product made in one factory and not in

Thus, in Buckingham, where Lucas had three assembly test



has closed one small plant in Germany and another in

Seven units from the group's applied technology division, largest employing 250 peole, have closed in the US. A Los Angeles plant in the aero-space division has shut. But new plants have opened in Cleveland, replacing an outdated one, and in Salt Lake

There will be more so far unspecified, plant closures. with the loss of jobs evenly split between the UK and other countries. But Sir Anthony Gill, the chairman, made clear that the UK is likely to remain the group's manufacturing

Although 81 per cent of Lucas's products are sold outside the UK, half of them are manufactured in the UK. "There may be an increase in UK manufacturing. This is a

good base," Sir Anthony said, although he warned the government to keep inflation

Yet there will be shifts in the nature of the manufacturing. Lucas, it is now clear, will be buying in more components for its systems.

"Opportunities have been identified for more outsourcing, to achieve cost savings and to enable investment within Lucas to be concentrated on our own more valuable, specialised and sometimes unique capabilities," said Sir Anthony.

The more Lucas concentrates on the higher value-added parts of production and the more it rests its future on its ability to design products at the higher end of the technological markets, the greater the need for investment. Research and development and capital expenditure held up over the last financial year, but Sir Anthony is making it clear that the group would like to spread development and

ports

investment costs.

Lucas is no stranger to joint ventures. It recently announced two new partnerships, with Sagem of France and Autobrzdy of Czechoslo-

vakia. And it wants more. "What we'd look at is an area where we have a unique capability which we can exploit more quickly if we go in with somebody else, that's the nature of the trade-off," Sir Anthony said.

The search for joint ventures, the simplification of the Lucas manufacturing network and the re-shaping of the group will be under the control of a new and, Lucas hopes, streamlined and more responsive senior management.

Following tension on the board earlier this year and the appointment six weeks ago of Mr John Grant as finance director, Lucas has now decided to strip out a tier of management. The effect will be to cut central overheads by 25 per cent. Throughout the group the number of management positions will be reduced by 250.

Lucas used to have a series of group, sector and divisional executives. These have been scrapped and replaced by a new and small group executive, each member of which will be responsible for one of the five portfolios into which Lucas businesses have now been grouped - aerospace, applied technology and three

Control Securities wins bondholders' consent

By Maggie Urry

CONTROL SECURITIES, the property, hotels, brewing and leisure group in refinancing talks with its bankers, yesterday won the consent of holders of one of its Swiss franc bonds to delay interest payments until January 18.

Holders of the group's two bond issues, which total SFT 200m, also agreed to waive rights to declare the bonds to be immediately due and payable until January 18. Further meetings of bondholders will be held on or before that date.

The group's banks, which recently agreed to a third standstill arrangement running until October 31, are providing facilities so that it can

continue trading. The group's shares were suspended in October last year, when the Serious Fraud Office sent in investigators. The company was built up by Mr Nazmu Virani, who is facing fraud charges relating to the collapse of Bank of Credit and Commerce International. Mr Virani resigned as chairman and chief executive in April.

Walker Greenbank ahead 5.6% and sales begin to improve

By Paul Taylor

WALKER GREENBANK, the wallcoverings group which recently emerged from a substantial reorganisation, yesterday reported a 5.6 per cent increase in interim pre-tax profits and said it had detected a slight improvement in sales in the last two months.

Pre-tax profits for the six

months to July 31 rose from £2.69m to £2.84m on turnover which fell slightly to £29.51m (£30.37m) as a result of the disposal last year of the non-core Price Waterhouse rise pegged at 2%

> spending in efforts to weather Corporate finance and privatisation rose 19 per cent to £16m. while tax consultancy grew 3 per cent to 2105m.

> > October 1992

Grimson stairlift business. Operating profits, before

exceptional items, increased by 13.3 per cent to £3.14m (£2.77m), but the increase was partly offset by higher net interest payments which grew to £301,000 (£83,000). Earnings per share increased

by a modest 2.6 per cent to 2.11p (3.06p) and the interim dividend is unchanged at 1.2p. The core commercial and consumer wallcoverings business managed to boost its market share and increase its turnover by 4.6 per cent to £25.47m, mainly because of the inclution company in Germany,

Without this new business Mr Charles Wightman, chief signs of a slight improvement in August and September.

Operating profits from the wallcoverings manufacturing and distribution businesses, which now also include growing fabrics businesses, rose by 11 per cent to £3.8m (£3.42m) as a result of "tight cost control" and reorganisation benefits.

During the first haif Bloom Signs, the group's illuminated sign business, continued to suf-fer as a result of the declining UK market and recorded a 2805,000 pre-tax loss in the first half despite a further substantial rationalisation. Earlier this month 85 per cent of the business was sold to its manage-

The interim results include a £484,000 (£474,000) extraordinary charge. The latest charge mainly relates to the costs of The High Court began hearing the claim on October 1.

Kunick sells 50% of nursing homes

By Angus Foster

Shares in Kunick gained %p to 5p yesterday after the company announced it was selling a 50 per cent stake in its nursing homes business to reduce borrowings.

County NatWest Ventures will pay £12.5m for a stake in Goldsborough Holdings, a new holding company for the nursing homes business. About £18m of Kunick borrowings will be transferred to the new holding company. A further £6m of bank borrowings will be repaid once certain Goldsborough properties are sold.

net borrowings from £46m at March 31 to about £10.5m. He said Kunick intended to keep its stake in Goldsbor-

ough, which may be floated at a later stage. The nursing home business has been burdened by heavy borrowings, and recorded a pre-tax loss of £900,000 in the

year to December 31. Kunick's two French nursing homes are not part of the

Andrews Sykes dissident rules out making bid

By Paul Taylor

MR JACQUES Murray, the dissident shareholder at the centre of an increasingly bitter battle for boardroom control of Andrews Sykes, yesterday ruled out making a bid for the industrial services and environmental products group in the current European Fire Protection

Holding, Mr Murray's main investment vehicle through which he now holds a 29.2 per cent stake in Andrews Sykes, said yesterday that it considers the company to be "substantially overvalued at the current the absence of a material change in circumstances which would include an offer by a third party - EFP will not make an offer for the company at this level."

Mr Murray has criticised the recent financial performance of Andrews Sykes and has set down resolutions calling for the removal of Mr David Hubbard, the chairman, and Mr David Crowe, a non-executive director, from the five-man

board and their replacement by himself and three of his associates at an extraordinary meeting on Friday.

Andrews Sykes' shares closed unchanged yesterday at 130p after gaining 5p on Friday when European Fire increased its stake in Andrews Sykes from 26.6 per cent to 29.2 per cent by buying shares in the market.

However yesterday's statement is clearly designed to dispel any shareholders' hopes that the battle could develop

into a full bid. In a letter to shareholders on Friday, Mr Hubbard launched a fierce attack on Mr Murray Nu-Swift, where he is the majority shareholder, and urged them to vote against Mr Murray's "unnecessary and

unmerited" proposals.
European Fire countered yesterday that Mr Hubbard had failed to address its "legitimate concerns" and was seeking to "divert shareholders attention away from the question of Andrews Sykes' survival and the absence of an effective strategy to reverse its decline.

levels of corporate activity." Audit and business advisory

By Andrew Jack in Washington

(4) (4)

PRICE Waterhouse, the accountancy firm, saw fee income rise 2 per cent to £395m in the year to June 30. Mr lan Brindle, senior partner, said: "The full impact of the recession is now reflected in our fee income. Business has been

strongly impacted by the low services, comprising one third

of total income, fell 2 per cent to £137m. The most significant rise came in the corporate recovery division, which rose by nearly

one third to £40m, reflecting

the firm's work on companies

This announcement oppears as a matter of record only.

Management consultancy fell 5 per cent to £97m. The firm said this was the result of clients postponing discretionary

acquired in December.

executive, said first half sales would have been flat. After a strong first quarter Mr Wightman said sales declined in May and June as business and consumer confidence evaporated after the election. However he added that there had been

the group's litigation against Ernst & Young, the accountancy firm, and William Carr and his son, Alan, for about £15m in damages and interes in connection with the £3.5m acquisition of Alkar, a shopfitting company, in January 1987.

deal and are being retained.

bank's £10m capital, Adam & Co was ent nor the senior managers or directed by Mrs Francoise Schlumberger tors of the bank were ever aware of the extent of the overall exposure. The quarterly reports "on almost all occasions indicated that there were no outstanding forward contracts at the

reporting date. This we now know to be

totally untrue." The dealers were backing the US dollar against the D-mark at a time when the US currency was falling steadily. "The dealers acted as a rather inexperienced gambler at a roulette table and continued to bet on the same outcome, backing the dollar against the deutschemark and doubling up as the situation became more desperate."

Some 22 outstanding rolled-over posttions were concealed. Fictitious deals were also booked to the portfolio account and, according to a specially commissioned report by Price Water-house, the dealers had "thought of everything, even to the extent of selecting counterparties which they thought would not be approached by the audi-

The two dealers, Peter Wood, 31, and Richard Turnbuil, 27, were immediately suspended and are now no longer employed by the bank, Sir Charles The chairman said that such

"operations can only be carried out by knowledgeable dealers who are prepared to manipulate the bank's report-ing systems in order to avoid detec-tion." The control over the management of the discretionary portfolio was "clearly not adequate." Sir Charles said that Adam & Co had decided to stop operating discretionary foreign exchanges portfolios and close its London foreign exchange dealing room, retain only the one in

Price Waterhouse is now finalising its "forensic" report on the affair and how it escaped detection which will be sent

to the Bank of England.
The chairman said that fewer than 20 client relationships had been terminated because of the affair and the bank, which is a subsidiary of Adam & Company Group, now has net assets of £12.2m. A major clearing bank had confirmed the validity of Adam & Co's controls and highlighted areas where they might be strengthened.

Until the deficit on reserves of £18.8m has been eliminated shareholders can-not receive dividends from the bank, which made a profit of £1.2m before the exceptional loss. The bank is therefore considering a scheme, which would require court approval, to eliminate the deficit on reserves by reducing the nom-inal value of the share capital of the

Although some shareholders raised critical points at the hour-long EGM, one shareholder, Mr Jimmy Walker, a fund manager, quoted Henry Ford's words: "History is bunk." Adam & Co must look to the future and give its shareholders the chance of subscribing new capital through a one for one

Nimbus Manufacturing (UK) Limited

A new company formed by the acquisition of the manufacturing operations of Nimbus Records Limited

£14,000,000

Senior Debt

Arranged and underwritten by Morgan Grenfell & Co. Limited

> **MORGAN GRENFELL**

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Adam board comfortably survives meeting

By James Buxton, Scottish Correspondent

THE CHAIRMAN and board of Adam & Company, the small Edinburgh-based private banking group, whose banking subsidiary lost twice its capital in irreg ular foreign exchange futures dealing, yesterday comfortably survived an extraordinary general meeting held to consider the affair.

There was no call at the meeting for the resignation of either Sir Charles Fraser, chairman, or of Mr James Laurenson, deputy chairman and managing director, and two shareholders asked for the opportunity to put more money into the bank.

Sir Charles, a leading Edinburgh solicitor and company director, told shareholders that if the senior executives and directors who were "technically responsible" for the loss were to resign, "you would have no Adam & Co." The company was too small to sustain the departure of its top execu-

An expression of remorse is entirely appropriate."
Adam & Co, a bank which caters for wealthy individual clients, suffered a loss of £21m in its London treasury department due to operations by its foreign exchange dealers who "acted as a rather inexperienced gambler at a rou-

But he said: "I apologise unreservedly to shareholders for what has happened.

Primat, a 75-year-old director, who agreed immediately to inject £21m into the bank by means of an issue of perpetual convertible non-cumulative preference shares which carry no coupon till 2003.

The Schlumberger family of France. whose fortune is founded on its company which operates systems for measuring the flow of oil wells, was already the largest shareholder in Adam & Co. following Adam's acquisition of Contipental Trust in 1986. Adam & Co ~ then the first new Scottish bank since 1844 - was created

in 1984 by Scottish private and institu-tional investors and named after the economist Adam Smith. Sir Charles told about 120 shareholders in a sober and attentive gathering at the Caledonian Hotel in Edinburgh that the loss occurred in a discretionary currency portfolio set up for a client

and came to light on August 26 when

the two dealers involved disclosed the Losses were incurred, he said, "at an early stage in the management of the portfolio." But the dealers were "extremely nervous about reporting such losses" and believed they could avoid doing so by "rolling contracts forward in the expectation of a reversal of the trends which had created the

Because of the accounting techniques Although the loss wiped out the employed by the dealers neither the cli-

Frank Gates interim downturn

By Peter Pearse

FRANK G GATES, the east London-based Ford motor dealer, continued to suffer from the fall in new vehicle sales, especially in fleet sales, and saw pre-tax profits decline from £692,000 to £216,000 in the six months to

Turnover at the company,

which has five Ford franchises, was down at £25.8m (£29.3m).

However, Mr Edward Gates, chairman, said that sales in August, traditionally the highest selling month, were up 85 per cent on the previous

Price-cutting had led to lower margins in new vehicle sales, he said, but the company was aiming to hold profits rather than just shift units. Service was "in line with last

The contract hire side (about

80 per cent of the fleet was sold to Ford Motor Credit Company for £7m in November 1990) continued to grow - to about 60 per cent of its size before that

sale, said Mr Brady. Borrowings totalled about £4m, split between the contract hire side and the newly refurbished Bishop's Stortford dealership. Interest charges rose to £255,000 (£49,000) as a result. Earnings declined to 0.68p

DIVIDENDS ANNOUNCED

	Current	Date of payment	Corres - ponding dividend	Total for year	Total last year
Highland Dist fin Lucas fin Lyles (5) fin Mid-States int Paramount 5 fin Tay Homes fin Walker Greenbank int	4.25 4.9 3.35 0.75 0.1	Jan 14 Dec 30 Jan 18 Jan 2 Jan 8 Jan 31 Dec 1 Dec 4	4.14 4.9 2.95 0.75 - 4.1 1.2	6 5.76 7 4.9 0.1 5.85	5.52 5.75 7 4.45 3 5.3 5.3

Dividends shown pence per share net except where otherwise stated. 10n increased capital, \$USM stock.

COMPANY NEWS: UK

Exports offset Highland home downturn

By Philip Rawstorne

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STRONG growth in export sales of The Famous Grouse scotch whisky helped Highland Distilleries to recover from first-half setbacks and increase full year pre-tax profits 2 per cent from £28.16m to

Exports of the company's premium scotch brand rose 29 per cent in value and 16 per cent in volume compared with overall industry export gains of 12 per cent and 4 per cent respectively.

Earnings per share for the year ended August 31 were maintained at last year's 15.1p. A final dividend of 4.55p (4.14p) lifts the total payout to 6p, an R.9 per cent increase. Operating profit declined

from £22.41m to £21.92m on turnover 4 per cent higher at £169.4m (£163.37m). Export sales of Famous Grouse amounted to £25.5m compared with £19.9m in the previous year. Distribution through Remy Cointreau secured increased sales in a number of European markets

Highland now exports 37 per cent of its whisky. Overseas

including France, Sweden, the Netherlands, Greece and Portu-

Recovery at Mid-States

First-half 1992 pre-tax profits from Mid-States, the London-quoted distributor of car parts in the US, were 17 per cent down on the corresponding figure, but 37 per cent ahead of the second half of 1991 largely as a result of cost reductions.

Pre-tax profit this time for the company which is based in Nashville, Tennessee, came to £1.92m, against £2.33m and £1.4m in the second half, generated from turnovers of 224.9m, £23.8m and £25.1m respectively.

Earnings per share worked through at 3.2p (4.1p) and the interim dividend is unchanged at 8.75p. about the year's results.

sales of Famous Grouse have

to 750,000 cases. Volumes declined 6 per cent in the UK market where overall Scotch sales were 11 per cent down - a trend which provoked strong criticism of the UK government's taxation policy on spirits from Mr John Goodwin, chairman. "The complicated and illogical tax system reduces UK employment and damages the balance of payments," he complained.

risen from 50,000 cases in 1975

Famous Grouse, the best-selfing whisky in Scotland with a 24.5 per cent share, consolidated its number two position in the UK as a whole, raising its market share from 13.3 per cent to 14.2 per cent. Prices were increased 11.5 per cent in the UK and 8.6 per cent over-

Sales outside the group of new and mature whisky for blending were 30 per cent lower than last year as customers reduced stocks. Industry production was cut 7 per cent in the first half of 1992 following last year's 4.4 per cent reduction. Highland's distilleries are now running at 60 per cent of capacity.

Cash flow generated £10m of funds and net gearing was reduced from 13 to 6 per cant.

Albrighton cuts losses to £1.2m

The year ended March 31 1992 at Albrighton saw the completion of the business disposal programme, and the group now specialises in the quarrying. manufacture and supply of natural dimensional stone and waste disposal landfiil.

Turnover came to £10.7m (£23.3m) and the loss before tax to £1.21m, compared with £1,39m. Continuing activities provided £2.53m (£2.76m) of sales and £204,000 (£440,000) out of an operating profit of £399,000 (£897,000).

Mr Peter Woodman, chairman, said the group was currently trading above break even, but he remained cautious

Australians may bid for parts of RHM

By Kevin Brown in Sydney

GOODMAN Fielder Wattie, the Australian food group which unsuccessfully offered £1.7bn for Ranks Hovis McDougall in 1988, yesterday said it might bid for RHM's continental European baking and milling activities if a hostile £780m takeover by Hanson succeeds. Mr Michael Nugent, chief executive, said some of RHM's continental businesses "could

be of interest to us, and we will keep watching that particular situation." He did not divulge which businesses interested GFW, or how much it would be prepared to pay. RHM's continental European business had net assets of £16.9m in the August 1991 balance sheet and achieved trad-

ing profits of £2.6m on sales of £73.6m in the 1990-91 year, down from £4.7m and £75.8m previously. They comprise three milling and one bakery company in the Netherlands, and a bakery group in France. GFW's European foods division generated sales of A\$750.5m, a fifth of the group total, in the year to June 30, and the group has made no secret of its plans to acquire

further hisinesses

European activities centre on milling and baking busiesses in Belgium, the Netherlands, France and Germany, where Mr Nugent believes long term European growth will be strongest.

Earlier this year the group merged its Melvin and Bakkerij Hendriks baking businesses in the Netherlands into a single business under the name Quality Bakers Europe. It described the A\$14m acquisition of Limburgse Molens, a privately-owned Belgian flour miller, as a step towards building "critical mass" in milling and baking.

GFW disposed of its 29.9 per cent holding in RHM after its bid failed, and was later the target of a failed A\$3.1bn counter offer from RHM. Last week it sold its Wattle Foods business in New Zealand for A\$428m and paid A\$330m for the Uncle Toby's food and

Publisher with a flair for the right image

Dorling Kindersley plans to raise £30m through a flotation. Andrew Bolger reports

Kindersley, the British publisher which is soon to be floated on the stock exchange.

The Covent Garden-based company, which is likely to have a market capitalisation of £75m-£100m, is best known for books such as Penelope Leach's Baby and Child manual and its encyclopaedias of gardening, plants and flowers. produced in association with the Royal Horticultural Soci-

Mr Peter Kindersley, the company's chairman and chief executive, said illustration used to be an afterthought in British publishing, with poor pictures and graphics, just dropped anywhere into an

DK's reference books are conceived from the outset as an Integral combination of images and words, with captions wrapped round high quality photographs and graphics, printed on clear white backgrounds,

The company spends as much as £2,000 per page in its books - well above the industry average. Mr Kindersley, 51, who trained at arts school. believes publishing has suffered from a failure to invest sufficiently in its products, which in turn leads to low profit margins.

DK recoups this heavy

investment by achieving high sales of its reference books for adults and children. Most of the company's titles sell more than 100,000 copes, even although the majority are in hardback. To date, 38 have sold more than 500,000 copies and 12 titles have sold more than one million copies. The sales level results from

TRIKING combinations the company's decision to of images and text on the focus on the international marrapid growth of Dorling in more than 80 countries and in 37 languages. Last year 30 per cent of group sales were in the UK, 32 per cent in the US and 38 per cent from the rest of

The increasingly international outlook of the business has spurred growth at DK, which saw its pre-tax profits double to £7.5m in the year to June on sales which increased by 66 per cent to £70.9m.

Mr Kindersley believes that publishing has suffered from the dominance of author's agents, who have been been able to extract huge advances by forcing individual publishers to bid against each other for each new title in separate territories around the

DK's royalty rates and advances tend to be lower. since the company normally originates the concept and is responsible for commissioning authors, rather than bidding for ideas from authors. Some titles have no named authors, thus saving royalties com-

The company publishes a rel-atively small number of titles. bring out only 168 in the last year. DK says this enables it to concentrate its efforts on achieving high quality and on heavily marketing the finished products. Of the company's 700 employees worldwide, 400 are editors and designers.

DK describes itself as market-led, with each new book idea being developed after extensive market research. The group aims to ensure that likely sales will cover the costs of each new title, and employs no fewer than 50 people on foreign rights. Since the company was



Peter Kindersley: illustration used to be an afterthought in British publishing

founded in 1974, DK has published more than 560 titles, 90 per cent of which are still in print. About 30 per cent of the group's turnover comes from "backlist sales" - titles which have been published for more than a year or two. DK said only 6 per cent of its books were returned by shops --compared with an industry average of more than 20 per

Another strong selling point has been DK's success in signing up learned and official bod-- such as the British Medical Association, Red Cross and London's Science Museum to advise on and endorse publications, in exchange for royalties. The American Medical Association endorsed a Family Medical Guide which has already sold 5.3m copies and continues to sell 100,000 copies

a year, providing a steady stream of income.

being published today will seek to raise £30m in new money for the company. The flotation is being sponsored by Barclays de Zoete Wedd, with Cazenove acting as broker.

The shares will be firmly placed with financial institutions, but will be subject to clawback by financial intermediaries for sale to private clients. Mr Kindersley's family will own about 45 per cent of the enlarged share capital.

ne of DK's most successful ventures has been its Eyewitness series of children's books, which it established in 1987 with the French publisher Gailimard. Since 1988 the Eyewitness series has sold more than 13m copies in 80 languages. Mr Kindersley is at his most

eloquent about the growing importance of education. He believes that in a culture flooded with fleeting images,

best learn by browsing and indulging their curiousity in a careful blend of images and

Perhaps the most exciting long-term prospects come from DK's link with Microsoft, the US computer software company which after the flotation will have a 20 per cent stake in the British company.

Both companies have just finished work on their first joint project, an interactive CD "reference book" of musical instruments. Having slotted the CD into an appropriate personal computer, users can interrogate the huge database calling up pictures, words
 and sounds of the world's instruments.

Mr Kindersley believes this interactive form of education has huge potential, and will also provide a lucrative outlet for DK's existing archive of more than 500,000 images.

Aminex losses rise 20%

exploration and production group, increased pre-tax losses by 20 per cent from L£50,470 to E£60,415 (£62,834) in the half year to June 30. Gross revenues fell from [£398,900 to I£198,600. Losses per share were unchanged at 1p.

Mr Brian Hall, chairman,

AMINEX, the Irish-quoted oil said the group had reached agreement with its principal lenders to repay 75 per cent of all monies outstanding, and to repay the balance over the next two years. This would improve the financial position and together with the expanded exploration portfolio, strengthen prospects.

Stephen Dean

DK's pathfinder prospectus,

The High Court has dismissed proceedings against Mr Step-hen Dean brought by Chequers. Mr Dean had resigned as chairman and chief executive in February. The court ruled that the company, for-merly called Dean & Bowes Group, had "failed to provide an adequate statement of claim" against Mr Dean.

BSR makes \$8m disposal

ASTEC, a member of the BSR group, announced that its subsidiary, Beckman Industrial, had disposed of its instrumentation products division, which munufactures and markets test instruments, to Wavetek Corporation of San Diego, Calif-

tion, the purchaser assumed bank borrowings of \$1.21m. Some \$3.5m of the price was received in cash with the balance payable in ten instalments over five years.

\$7.97m (£4.71m) and in addi-

Net book value of the assets disposed of amounted to Total consideration was \$6.67bn at December 31 1991.



INTERIM RESULTS for the six months ended 31 August 1992

SUMMARY OF RESULTS* for the six months ended 31 August

	1992 (US)	1991 (US)
Sates	\$721m	\$631m
Earnings before teration	\$77 m	\$47m
Net Income	\$82m	\$36m
Earnings per share	47 cents	39 cents
Dividends per share (%A-cents 80 for both periods)	29 cents	28 cents
Capital expenditure	\$56m	\$38m

SALES REVIEW

1989 1987

Total earnings reflect strong percentage growth over the level achieved In the same period last year but the increase In the number of shares in issue restricts the growth in earnings per share to 20% in US dollar terms.

Recessionary conditions in the USA, UK and South Africa persist and operations In the United Kingdom, specifically, are being hampered by the downturn.

Productivity in all the group's facilities showed an improvement during the period.

The acquisition of 90% of Hannover Papier AG in Germany represents a major step forward in consolidating our position in Europe.

Share listings were obtained in London, Frankfurt and Paris.

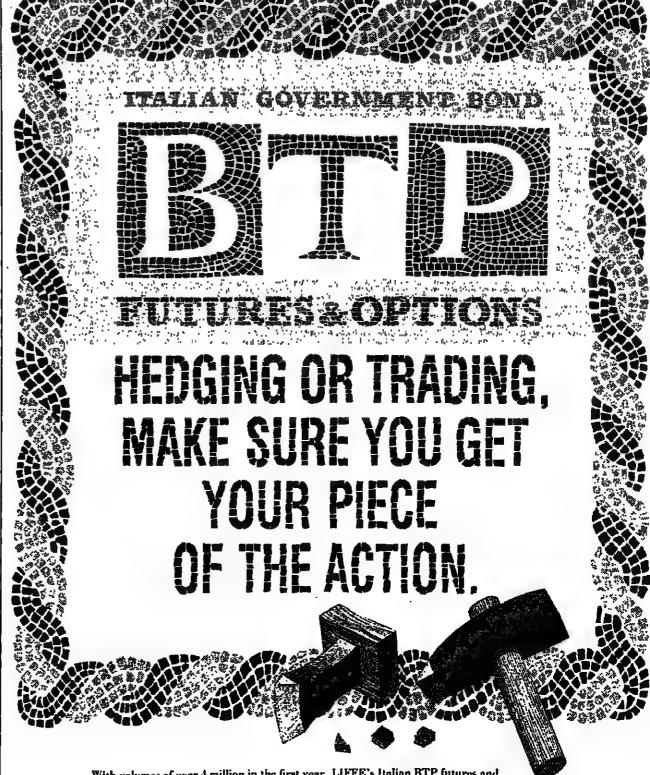
Although total group net income for the year is expected to grow, the group will do well to maintain earnings per share at last year's level in current circumstances.

INTERIM DIVIDEND

The interim dividend for the six months to 31 August 1992 of 80 SA cents per share is payable on 13 November 1992 to shareholders of record on 23 October 1992. The interim report will be mailed to shareholders on or about 12 October 1992. Copies may be obtained from the transfer agent - Barclays Registrars Limited, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Sappi Management Services (Pty) Limited, Secretaries, per D J O'Connor 6 October 1992

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Rebels call for Clark to be put up for sale

By Peggy Hollinger

THE BOARDROOM split at C&J Clark took a further twist yesterday when the rebel directors called on the board to put Britain's largest shoe manufacturer up for sale

A circular is being prepared by the rebels urging shareholders to call for the drawing up of a sale prospectus which would put Clark into play. Robert Fleming, the merchant bank, has agreed to act for the four board members.

The move comes just four days before the extraordinary general meeting aimed at deposing the chairman, Mr Walter Dickson, and non-executive director, Mr James Power. The rebels are seeking changes to the corporate strategy pursued by Mr Dickson.

he requisitionists, as the rebols are named for calling the egm, have proposed two

new board candidates, Mr Hugh Pym, ITN journalist, and Mr Michael Markham, a businessman. They claim to represent some 40 per cent of the Clark family holding. The Clarks control 80 per cent of the company through direct stakes and family trusts.

Mr Markham said yesterday that the decision to call for a sale came as a result of the approach received from management consultant, Mr Colin Fisher, backed by venture capital group, Electra investment

"The requisitionists accept that the company has been put on bid alert," said Mr Markham. However, he questioned whether an offer backed by Electra - which would depend on the failure of the requisitionists proposals - was in the best interests of all sharehold-

sions with Electra "do not give a flat playing field to anyone

was aware of the rebel's latest move but it too was consider-ing soliciting other bids through Schroders, its finan-

The rebel's efforts to attract bidders is, to some extent, a gesture to the large number of Clark family members who might be interested in selling their holdings. Mr Markham said the requisitionists wanted to dispel any suspicions that they had a "bunker mentality". an image which could reduce

shareholder support on Friday. The company nearly embarked on a partial flotation in 1987. It came close to rounding up support from the neces sary 75 per cent of shareholders but it dropped the proposal shortly before an egm

"The company has to get the

Richard Lapper on how British insurers are running their overseas businesses approach. "We've tended to do ner, of Germany and Fondiaria of Italy, to form a European RITAIN'S troubled insurance companies igint-venture last year called

continue to shy away from loining forces in the domestic market, but overse they are becoming increasingly keen on co-operation:

Recently, for example, Sun Alliance and Royal Insurance merged their Australian subsidiaries, and Prudential sold its Canadian general insurance side to General Accident.

The deals reflect an increased tendency for the UK's composite insurers to join forces or co-operate in rationalising their interests in markets, typically those in the nwealth, where individually they lack significant market share.

And at a time of worldwide capital shortage, they also reflect the increasing popularity among insurers worldwide of alliances as a means of

Mr Richard Gamble, chief executive, described the Australian deal as "another step in Royal's strategy to operate overseas when appropriate, through joint ventures in collaboration with partners." Royal, which joined forces

with Aaachener and Muenche-

EPIC, is particularly keen on the idea, partially because of the weakness of its own capital hase, which has been eroded by heavy losses in recent years. EPIC, based in Rotterdam, pools together the non-domes-tic market operations of all three companies. The decision to sell its Dutch subsidiary, Royal Nederland, to EPIC, has

provided valuable capital to boost its balance sheet at home. The Australian merger with Sun Alliance released a further £50m which can be deployed at group level.

Mr Gamble also stresses the potential economies of scale that co-operation brings, Man-

agement resources are often scarce in smaller markets, and co-operation allows companies to save in areas like information technology. He says that improved

return on capital can be obtained, pointing to the success of Royal's South African subsidiary, in which it shares ownership with Old Mutual, one of the Republic's biggest

Royal also shares - with



Lifting market share through co-operation

Richard Gamble: potential

Commercial Union - ownership of La Republica, one of Chile's leading companies, and has joint ventures in Kenya, Malaysia and Zimbabwe.

In the past Sun Alliance, the country's strongest insurer, has been less enthusiastic about joining forces with rivals. But Mr Roger Neville, the group's chief executive, last week hinted at a change in it 100 per cent but times have

changed," he said. In recent years Sun Alliance has signed co-operation agreement with insurers in Japan, South Korea and China. And in May it reached agreement with Helvetia of Switzerland to jointly develop international commercial lines business.

In Australia Sun Alliance already shared with Royal Insurance ownership of a 78 per cent stake in AAMI, a successful direct writing motor insurer, as well as a marine insurance agency. Sun Alliance initially approached Royal about a merger of its Australian operations in June, and teams from both companies worked throughout the summer on the project

Neither company was big enough individually to influence general rating trends explains Mr Tony Barron, director of Sun Alliance (Overseas). The combined operation, with a market share of over 6 per cent, is in a much stronger position. Sun Alliance was par-ticularly influenced by the increased success it enjoyed in New Zealand after it acquired

the local interests there of

Guardian Royal Exchange in January last year.

In a similar example earlier this year GRE chose to merge its operations in Australia with the Swiss company, Zurich Insurance. GRE owns a 25 per cent stake in the merged operation, creating Australia's fourth biggest insurer. In Canada, the Prudential

chose to sell its non-life operation to GA, which has now become the biggest insurer in the Canadian market with a share of 8 per cent. All the companies involved

are keen to stress that the deals are limited to particular markets and do not foreshadow integration of operations in the domestic market.

Commenting on the Austra-lian deal, Mr Neville of Sun Alliance emphasised that every territory is different and must be taken on its merits" while Royal's Mr Gamble is keen to stress the number of companies with which Royal is

prepared to do business. Even so, as competition in the 1990s gets tougher and the UK faces up to the continuing threat from Europe, the lessons learned abroad may yet have application at home.

Shepherd Neame expands 10% to over £4m

Shepherd Neame, the independent Kent brewer, raised pre-tax profits by 10 per cent from £3.68m to £4.06m in the year ended June 27, 1992, on turnover 14 per cent higher

Operating profits climbed 20 per cent to £6.22m indicating the economies of scale from supplying an enlarged pub estate. Finance charges were up 27 per cent at £2.18m. Mr Robert Neame said the

increase had been achieved despite the company trading almost exclusively in the south east, where the reces-

sion had been most severe. The Faversham-based company had leased 58 pubs from Whitbread, which offered the opportunity of increasing volume throughput without further capital outlay. Together with the purchase of other pub packages from Bass and Courage the previous year, this took the Shepherd Neame pub estate to 372.

Insurance proceeds help lift S Lyles to £1.1m

S LYLES, the yarn spinner and dyer, marginally improved its profit in the year ended June 30, but taking in a £260,000 exceptional credit the increase

was 40 per cent. Including the credit, which represented insurance proceeds arising on the death of a director, the pre-tax balance rose

from 2813,000 to £1.14m. Turnover slipped from disapped 217.1m to £16.7m reflecting a year".

export sales. Barnings per share came to 10.66p (7.42p) and the final dividend is 3.35p for a total of 4.9p (4.45p). Mr John Lyles, chairman,

said trading conditions were difficult and the "whist of the optimism detected this spring in the home market fast disappeared. We have so far had a disappointing start to our

£3.65m sale by Medeva of non-core products

arrivals on the pharmaceuticals scene, is raising £3.65m from the sale of some of the products which it bought as part of a package from Glaxo and SmithKline Beecham ear-

ller in the year. "We have achieved the acquisition of the jewels without having to hang on to the others," said Mr David Lees, finance director. The "core' products being kept include Pregaday, Fefol and Feospan, which are iron supplement products for pregnant women.
The products being sold to Goldshield Pharmaceuticals

and Forley have annual sales of £2.5m. The consideration represents a slightly lower multiple of sales to that obtained by Glaxo and SB when Medeva paid £18.4m for the original package.

Hoskins egm requisitioned

By Maggle Urry

Disgruntled shareholders in Hoskins Brewery, the Leices-ter-based real ale brewer, have requisitioned an extraordinary general meeting at which reso lutions to replace two directors with two shareholders

will be put.
Mr Richard Cattermole, leader of the dissident group and a 5 per cent shareholder, said he was waiting to hear from the company when the meeting would be held. Mr Cattermole said he had

circulated the group's share-holders and found a high level of dissatisfaction among them. He owns Byan Elizabeth Holdings, which owns 45 pubs and a chain of hotels. There has been speculation

about a takeover of Hoskins by Ryan Elizabeth. In the year to March 31 Hoskins' pre-tax

Brent Chemicals \$5.3m purchase

Brent Chemicals International is acquiring certain assets and the business of Chemical Systems of the US for a total of \$5.3m (£3m).

If certain conditions can be met Brent will also acquire the assets and business of Chemsys's Canadian affiliate for consideration of up to \$850,000.

Sales of Chemsys in the 1991 year were \$3.9m. Adjusting the pre-tax figures to reflect the change of structure under Brent's ownership would have shown profits of

Net assets at the end of the

vear were \$600,000. Brent is paying \$1.8m for the ssets and business with a firther \$3.5m under a sub-contract manufacturing agreement with Chemsys and non-compete and consultancy agreements with the joint owners of

	CROSS BORDE	R MAA DEALS		
BIDDER/INVESTOR	TARGET	SECTOR	VALLUE	COMMENT
Air Canada (Canada)	Continental Arrines (US)	Airlines	5247m	AC group ups offer
Aeromexico (Mexico)	Continental Airlines (US)	Airlines	£232m	Joining Hurwitz group bid
HJ Heinz (US)	Wattie Foods (New Zealan	d)Food	E179m	Heinz targeting Asia
General Accident (UK)	Canadian unit of Prudential (UK)	insurance	£74m	GA improving geographic spread
Welicome (UK)	Weigen Manufacturing Partnership (US)	Biolechnology	£13.7m	Corrects earlier report
Sage Group (UK) Remote Control International (US)		Computer software	\$21.3m	Revenue related payments
Sage Group (UK)	Ciel (France)	Computer software	£1.4m	Mainland Europe debut
Hatma (UK)	IPC Resistors/IPC Power Resistors International (US)	Resistors	90.9m	Cash deals
Navan Resources (ireland)/Orszages Ero- es Asvanybenyak (Hungary)	JV	Mining	n/a	Trumitional move for Neven
Royal Insurance/Sun Alliance (UK)	JV	Insurance	n/a	Morging Australian

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NEWSLETTERS

BRITANNIA BUILDING SOCIETY £150,000,000 Floating Rate Notes Due 1993

comprising PS,000,000 Floating Rate Notes 1993 issued in Sth November 1995 and a farther ES,000,000 Floating ing Rate Notes due 1993 wined on 8th July 1996 and a further ES,000,000 Floating Rate Notes due 1993 wined on 10th August 1988 consolidated and Jammig a single series therewish. In accordance with the terms and conditions of the Notes, notice is hereby given that for the three mont interest period from (and including 12th October 1992 to (but excluding 12th October 1992 to (but excluding) 12th January 1993 the Notes will carry a rate of interest of 8% per cent, per annunt. The relevant interest payment date will be 12th January 1993. The coupon amount per £10,000 Note will be £225,27 payable against surrender of Coupon Not 28.

Hambros Bank Limited Agent Bank

YORKSHIRE **BUILDING SOCIETY** Issue of up to \$150,000,000 Floating Rate Notes

Disc 1997 (of which £100,000,000 was issued on this July 1990 as the mittal Tranche) this July 1990 as the mittel Tranche) In accordance with the terms and conditions of the Notes, notice in hereby given that for the three month interest period from (and including) 12th October 1992 to (but excluding) 12th January 1993 the Notes will carry a rate of interest of 8.85 per cent, per annum. The relevant interest payment date will be 12th January 1993. The coupon amount per £50,000,00 Note will be £1,115,34 payable against surrender of Coupon No. 10. Hambros Bank Limited

Agent Bank

Pool syling price 17.76 17.75 17.71 17.71

U.K. WATER INDUSTRY The FT proposes to publish this survey on November 4 1992.
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FT SURVEYS

and the second of the second second

FT GUIDE TO WORLD CURRENCIES

ded) against four key correccies on Monday, October 12, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling

il						Ot 1001					CX 1003						CK 100)
	Afghanistas Albania	(Afghani) (Lek)	99.25 186.85 35.43	58.2111 109.589	39.5418 74.4422 14.1155	48.1212 90.5939	Gamble - (Daiasi) Germany (D-Mark)	14.3185 2.5100	8.3979 1.4721	5 7045	1.2169	Punistan (Panama	Pak, Rupee (Balboa)	42.70 1.7050	25.0439	17.0119 0 6792	20 703 0.8266
	Algeria	(Pinar)	35.43	5.6943	3.3994	4,1369	Ghanit (Cedi) Gibraltae (Gib D	1 00	475.191 0.5865	322 789 0.3984	392,824 0 494	Paraguay	nen (Kira) (Guaran) (New Spi	1,6490	0.9571 1547.07	0.6669 1050,9 1.0398	0.8266 0.7995 1278 91
	Aggola	(Sp Peseta)	979.35	374.337	70.976 390.179	86.3757 474.838	Greece (Bractima) Greenland (Denish Krone) Grenada (E Carr S)	9.7325	190.015 5.7023 2.6807	129.074 3.8735	157.079 4.7139 2.2236	Philippines	(Peso)	261 41.15	24.1348	16.3944	1.2654 19.9515
1	Antiqua Argentina	(E Carr S) (Peso)	4.5860 1.6840 3.0405 2.3620	2.6897	1.827 0.6709 1.2113	2.7235 0.8164	Goadaloupe (Local Fr)	4.5860 8.5325 1.7050	2.6897 5.0043	1.827 3.3994 0.6792	2.2235 1.1345 0.8266		(NZ S	7 1365	1 8395	0.3984	1.5207
	Aruba Australia	(Floris) (Aus SI	3.0405 2.3620	1.7832 1.3953 10.3782	0.941	1.4741	Gustemaia (Quetzal) Guinea (Fr)	9.07 1379.68	5,3196 809 179	0.6792 3.6135 549.661	4.3975	Portugal	(Escudo)	24224.0 223.50	14207.6 131.085	9651 89.0438	11745 108,364 0.8254
ı		(Schilling) (Port Escudo)	17.695 223.50	10.3782 131.065	7.0498 89.0438	8.5793 108.364	Gujana (Gujanese Si	8492.50 213.15	4980.94 125 015	3383.47 84 9203	4117.58	Puerto Rico	(US \$1 (Riyal)	-0.000	3,656	0.6792	3.0223
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ı		(CFA Fr) Bermodian S)	1.7050	1	169.97 0.6792	206.848 9.8266	India (Indian Rupes) Indonesia (Rupiati) Iran (Rial)	2427 0	2048.74	1391.67	23.3212 1645.62 1176.73	, 54 Vincent	(French Fr) (E Carr S)	4.5860 8.5325 4.5860	2.6897 5.0043 2.6097	1.827 3.3994 1.827 880.378	4.1369
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1	Bracif Brunei	(Pola) (Cruzeiro) (Brunei S)	3 6020 11595,95 2.7330	6801,14 1,6029	1435 4619 9 1 0286	5622_28 1.325	Iraq (Iraqi Dinari Iriyin Rep (Punt) Israel (Shekel)	0.5936 0.9600 4.21	0.3481 0.563 2.4692	0.2364 0.3824 1.6772	0.4654 2.0412	Seprenti	(Riyal) (CFA Fr) (Rupee)	6.4220 426.625 8.50	3.7665 250.22 1.9853	169.97 3.3864	4.1369 2.2235, 1071.39 197.648 3.1136 306.848 4.1212
ı	Bulgarte Burking Fago	(Ler) (CFA Fy)	43.00 426.625	25.2199 250.22	1,0886 17,1314 169,97 4,5049	20.8484 206.848	Italy (Lira)	2209.75 37.4520	2.4692 1296 04	880.378 14.9211	1071.39	Sleva Leone Singapore	(S)	849.25 2.7330	498.094 1.6029	338,347 1.0888	411.75 70.135
	Burma Berundi	(Kyat) (Burundi Fr)	366.25	6.6319 214.809	145.916	5.4824 177.576	Janualea (Lamalean S) Japan (Yes) Jordan (Jordanian Disar)	206.25	21.9659 120.968 0.658	82 1713 0,447	100 100 0 544	Solomon is	(Tolar) (2)	5.0745 4450.05	84.6387 2.9762 2610	57.6294 2 0217	70.1535 2.4603 2157.6
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	Canary is Op. Verde	(Sp Peseta) (CV Escudo)	178.15 106.35	104,487 62,3753	70.976 42.3705	86.3757 51.5636	Korea North (Won) Korea Soath (Won)	3.6520	1.3653 2.1419 784 018	1.4549 532.57	1.1452 1.1706 648,121	Spain	(Perta)	7.4483g 178.15	104,487	70,976	2.3552 3.6112 86.3757
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	Colombia	(Col Peso)	9.3295 1058.50	620.821		513,212	Liberia (Liberian S) Libya (Libyan Dinart	1.7050 0.4362	0.2558	0.6792	0.8266 0.2114	Swaziland : Sweden	(Lilangeni) (Krona)	4.0578 9.4375	2.8491 5.5351 1. 30 93	1.9353	2.3552
	CIS	(libubia)	0.9453o 565.46m	0_5544 331_648	225.263	0.4583 274.162	Linchtenstein (Swiss Fr)	2.2325 51.75	1.3093	0.8894 20.6175	1.0824 25 0909	Switzerland Syrta	(Fr) (D)	2.2325 15 6685	1.3093 30.9199	3.7599 0.8894 14.2105	1.47 2.3552 4.5757 1.0824 17.2436
I	Comorus Congo (Braz Costa Rica	(CFA Fy) a) (CFA Fy) (Colou)	426 625 426.625	250.22 250.22 135.543	169.97 169.97 92.0717	205.848 206.848 112.048	Macao (Pataca) Madagascar (MG Fr)	13.5670 2732.70	7 9571 1602.76 131.085	5.4051 1088 73	6.5779 1324,95 108 364	Talwan Tanzania	(\$) S= (@)	42,925 543,50 43,05	25.1759 313,768	17.1015 216.534	20.8121 263.515 20.8727
	Côte d' Ivaire Croatia	(CFA Fr)	231.10 28.625 622.75	250,22 365,367 0.7545	169.97	206.848 302.036	Madeira (Kwacha)	223.50 6.8490 4.2560	131.085 4.017 2.4961	89.0438 2.7286 1.6956	3.3207 2.0635	Thailand Togo Rep Tonga is	(Baht) (CFA Fr) (Pa Anga)	43.05 426.625 2.3620	25.2492 250.22	17.1513	30L 242
Ш	Cuba	(Cyprus 12)	1.2865 0.7530	0.4416	0.5125	0.6237	Malaysia (Ringgit) Majdive is (Rufiya) Maji Rum (CFA Fr)	18.59 426.625	10 9032 250.22	7.4063 169.97	9.0133 206.848	Trinidad/Topagi Tunista	(Dinar)	7.1280	1.3853 4.5325 0.8454	0.941 3.0788 0.5743	3.7969
ŀ	Czechoslowaki		44.75	27.3079 26.2346	18.5498 17.8207	22.5745 21.6872	Martinigue (Maitese E) Martinique (Local Fr)	0.5325 8.5325	5 0043	3.3994	0.2581	Turks & Calcos Turks & Calcos Tuvalu (Au	(Lira) (US \$1	1.7050	7426.19	0.6792	1.1452 3.7969 0.6989 6138.98 0.8266
I	Djibouti Rep	(Ojib Fr)	9.7225 300.00 4.5860	5.7023 175.953	3.8735 119 522 1.827	4,7139 145,455	Mauritania (Orgalya) Mauritan (Mass factor) Mexico (Mexicon Peso)	25 6645 5106 25	105.601 15.0524 2943.7	71 733 10.2249 2033.57	87.2969 12.4413 2474.79	Uganda (Ne	Strailan S) Shilling)	2,3626	1.3853 1182.67	0.941 803.367	1.1452 977.673
I	Dominica Dominican Re	1	22.0105	2.6897 12.9504	8.797	2.2235 10.7056	Milgoelon (Local Fr) Monaco (French Fr)	8.5325 6.5325	5.0043 5.0043	3.3994 3.3994	4.1369	U A E United Kingdom United States	(Dirharid) (2) (US S)	6.2890 1.00 1.7050	3.6885 0.5865	2.5055 0.3984	3 0492 0 4848 0 8266
ı	Ecoador	(Secre)	3137.15e 3397.00a	1839.97 1992.38	1249.86 1353.39	1521 04 1647.03	Mongolta (Tugrik) Montperrat. (E Carr S)	67.95 4.5860 13.4920	39 8533 2.6897 7.9131	27,0717 1,827 5,3752	32.9454 2.2235	Uroguzy Vanualo	(Peso)	5593.15	3200 (44	2228.35	2711.83
Ш	Egypt El Salvador Equat'l Guinea	(Coloni) (CFA Fr)	5.68 14.6240 426.625	8.5771 70.72	2,2529 5,7361 169,97	2.7539 7.0904	Mozambique (Metical)	4652.05	2728.43	1853.41	6.5415 2255.54	Vatican Venezuela	(Lira)	191.45 2209.75 120.50	112.287 1296.04 70.6744	76.2749 889,378 48.0079	92,8242 1071,39 58 4242
I	Estonia	(Kroon) Hopian Birr)	18.9520 8.4050	250.22 11.1155 4.9296	7.5505 3.3486	9.1888 4.0751	Namibia (S.A. Rand) Nauru is (Australian S) Nepal (Nepalese Rupes)	4.8578 2.3620 79.20	2.8491 1.3853 46.4516	1 9353 0.941 31 5517	2.3552 1.1452 38.4	Vietnam Virgin Is-British Virgin Is-US	(Dong)	18496.50 1.7050 1.7050	1,0846.4	7369.12 0.6792	9968 0.8266 0.8266
_	Falkland Is Faroe Is (Da	(Falk D	1.00 9.7225	0.5865 5 7023 1.5055 4.6767	0.3984	4.7159	Metherlands (Gelider)	2.6275	1.6583	1.1264 1.2113 1.2456	38.4 1.3709 1.4741	Western Samoa	(US SI) (Tala)	4.15	2.434	1.6533	0.8266 2.0121
	Figil is Flatzad France	(Fig. 5)	9.7225 2.5670 7.9738 8.5325	5.0063	1.0227 3.1768 3.3994	1.2446 3.866 4.1369	New Zealand (NZ \$1 Nicaragua (Gold Cordoba) Nicaragua (Gold Cordoba)	3,0405 3,1365 9,1380 435,625	L8395 5.3595 250.22	3.6406 169.97	1 5207 4.4305 206 848	Yemen (Rep of) Yemen (Rep of) Yusasimula	(Rial) (Dinar)	28.0255 0.7900	0.4633	11.1655 0.3147	13.5881
	Fr. City/Altrica Fr. Gulutu	(CFA Fy)	426.625 8.5325	250.22	169 97 3,3994 60,9561	206.848 4.1369	Niger Rep (CFA Fr) Nigeria (Naira) Norsay (Nar. Krone)	33.35 10 2475	18.45	13.2868	206 848 16.1696 4.9684	Zaire Rep	(Zaire)	347 90 1988000.0	204.047 1165982	138.606 792032	168,679 -
٦l	Fr Pacific is Gabon	(CFP Fr) (CFA Fr)	153 00 426.625	89.7% 250,22	60.9561 169.97	74.1818 206.848	Ortan (Risal Coranti)	0.6593	0.3666	0.2626	0.3196	Zambia Zimbabwe	(Kwacha) (\$)	334.60 8.8065	196.246 5.1651	133,307 3,5085	963879 162.23 4.2698

Reliability is our stock-in-trade.

According to Boeing, 99,46% of JAL 747's leave on time more than any other airline.



STET ELETTER TO THE SHAREHOLDERS —

HIS LETTER IS INTENDED TO EXPEDITE AND IMPROVE COMMUNICATION WITH YOU AT A TIME OF CONSIDERABLE UNCERTAINTY IN NATIONAL AND INTERNATIONAL ECONOMIES. FOR THE TELECOMMUNICATIONS SECTOR IT HAPPENS ALSO TO BE A TIME OF OPPORTUNITY AND OF POTENTIAL FOR GROWTH.

STET GROUP PERFORMANCE IN FIRST HALF-YEAR, 1992

THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FIGURES FOR YOUR COMPANY AND THE STET GROUP FOR THE FIRST SIX MONTHS OF 1992 INDICATE STRENGTH AND CONTINUING PROFITABILITY.

THERE WAS A BETTER THAN EXPECTED GROWTH IN TRAFFIC OVER OUR FIXED TELECOMMUNICATIONS NETWORK DURING THIS PERIOD AND DEMAND FOR MOBILE TELEPHONY CONTINUED TO BE AMONG THE HIGHEST IN EUROPE.

THIS GROWTH TREND IS AT ODDS WITH THE BEHAVIOUR OF THE ECONOMY AT LARGE, AND IS TO BE ATTRIBUTED TO TWO FACTORS. THE FIRST IS THE GROUP'S INVESTMENT STRATEGY, WHICH OVER THE LAST FEW YEARS HAS BEEN TARGETED ON STRENGTHENING THE TELEPHONE NETWORK AND IMPROVING THE QUALITY OF THE SERVICE. THE SECOND HAS BEEN INTERNAL REORGANISATION IN ORDER FULLY TO EXPLOIT OPPORTUNITIES DERIVING FROM THE LATEST TECHNOLOGIES.

On the one hand the Group's manufacturing activities have kept in step with service providers' investment programmes for the current financial year. On the other hand the policy of expanding these activities has been continued, with the achievement of better penetration of many foreign markets.

IN PUBLISHING AND VALUE-ADDED SERVICES, WE HAVE SATISFACTORILY COPED WITH THE DOWN-TURN IN ADVERTISING INVESTMENT AND THE TOUGHENING OF COMPETITION.

SIGNIFICANT DATA FOR FIRST HALF-YEAR

1.200am

Transitive Transitive Navan AT A PRE-TAX LEVEL, HALF-YEAR PROFIT OF STET SPA TOTALLED 400.9 BILLION LIRE AND THE GROUP'S CONSOLIDATED PROFIT TOTALLED 1,566 BILLION.

THE BALANCE SHEET OF STET SPA SHOWS STOCKHOLDERS' EQUITY OF 6,465 BILLION LIRE, REPRESENTING 95% COVERAGE OF THE NET CAPITAL INVESTED OF 6,722.9 BILLION.

THE GROUP'S CONSOLIDATED STOCKHOLDERS' EQUITY OF 20,260 BILLION LIRE SUFFICIENTLY DEMONSTRATES STET'S IMPORTANCE WITHIN ITALY'S INDUSTRIAL SYSTEM.

THE HALF-YEAR RESULTS PUBLISHED BY STET AND THE COMPANIES IN THE GROUP INDICATE THAT PERFORMANCE FOR FINANCIAL YEAR 1992 WILL BE IN LINE WITH THE DEVELOPMENT TREND ESTABLISHED IN RECENT YEARS.

Specifically, the STET Group's consolidated sales in the first half-year totalled 12,526 billion like (12.5% up on the 11,131 billion for the same period in 1991) and the gross operating profit was 6,519 billion, a 10% increase over the 5,940 billion of the first six months of 1991. Given a background of overall recession these are significant results.

At 4,632 billion lire, a high level of investment has been maintained. The Group's workforce totalled 129,911 persons at 30 June 1992 as compared to 129,492 at 31 December 1991.

PROFITS AND DEVELOPMENT

PROJECTIONS FOR THE FULL FINANCIAL YEAR 1992 INDICATE THAT STET GROUP SALES WILL GROW BY APPROXIMATELY 11%.

EXPECTED PROFITS FOR THE YEAR INDICATE A SATISFACTORY RESULT IN LINE WITH THAT FOR 1991, THOUGH BUSINESS ACTIVITY MAY BE SLIGHTLY AFFECTED BY PRESENT TENSIONS IN THE FINANCIAL MARKETS AND ADDITIONAL TAX BURDENS BROUGHT IN BY GOVERNMENT MEASURES WHICH ARE STILL TO BE FINALISED.

1992 HAS INDEED BEEN A KEY YEAR. IT CLOSES A PERIOD OF RAPID INVESTMENT WHICH BEGAN IN 1988 IN ORDER TO SATISFY A PARTICULARLY DYNAMIC DEMAND FOR NEW CONNECTIONS AND ALSO SPEEDILY TO MODERNISE THE NETWORK. THE PHASE NOW OPENING SEES A SETTLING DOWN OF DEMAND FOR NEW CONNECTIONS, COUNTERBALANCED BY A REQUIREMENT FOR ENHANCED PERFORMANCES. THIS EVOLUTIONARY SCENARIO PROMPTS US TO AN INVESTMENT POLICY IN LINE WITH OUR PRIME OBJECTIVE OF CONSOLIDATING CORPORATE PROFITABILITY.

THE GLOBALISATION OF ECONOMIES, AND THE PARTICULARLY CRUCIAL ROLE NOW PLAYED BY TELECOMMUNICATIONS IN THE PROCESSES OF PRODUCTION, MEAN THAT TELECOMMUNICATIONS THEMSELVES ARE NOW UNDERGOING RADICAL TRANSFORMATION. THERE IS A STRONG DRIVE TO DEREGULATE MARKETS AND AT THE SAME TIME TO WORK FOR PROGRESSIVE INTERNATIONAL INTEGRATION. THIS SHOULD BE COMPATIBLE WITH INCREASED DIVERSIFICATION AND THE GROWTH OF SERVICES.

THE MAJOR SERVICE PROVIDERS IN THE INDUSTRIALISED COUNTRIES ARE ALL TAKING UP THE CHALLENGE, USING A WIDER RANGE OF INSTRUMENTS AND VIGOROUSLY ENTERING FOREIGN MARKETS.

ACTIVITIES ABROAD

IN THE FIRST SIX MONTHS OF 1992 THE STET GROUP HAS DULY INTENSIFIED ITS INTERNATIONAL ACTIVITIES. IT HAS SET UP STET INTERNATIONAL TO PROVIDE IT WITH MORE HANDS-ON MANAGEMENT OF TELECOMMUNICATIONS SERVICES IN FOREIGN COUNTRIES AND TO CONCENTRATE INTERNATIONAL SHAREHOLDINGS AND ACTIVITIES IN A SINGLE COMPANY. IT HAS WON THE CONTRACT TO OPERATE THE MOBILE TELEPHONE SERVICE IN GREECE, NO SMALL FEAT IN THE FACE OF COMPETITION FROM THE SECTOR'S MAJOR INTERNATIONAL SERVICE PROVIDERS AND OPERATORS. THE MANAGEMENT OF ARGENTINA'S TELEPHONE SERVICE HAS ACHIEVED EXCELLENT RESULTS, INCLUDING THE FINANCIAL RESULTS.

TELECOMMUNICATIONS SOFTWARE

FOR LARGE SERVICE PROVIDERS, ANOTHER FUNDAMENTAL FEATURE OF THIS NEW PHASE IS THE INCREASING SOFTWARE CONTENT IN THEIR NETWORK SYSTEMS AND SERVICES. THERE IS, CONSEQUENTLY, A NEED TO CONTROL SOFTWARE DEVELOPMENT IN ORDER TO STAY COMPETITIVE WHILE ECONOMIC ACTIVITY BECOMES INCREASINGLY COMPLEX.

THE PROBLEM OF BUILDING UP SOFTWARE RESOURCES FAST ENOUGH TO MATCH THE MARKET'S OWN RAPID DEVELOPMENT HAS LED MANY WORLD-SCALE SERVICE PROVIDERS TO SET UP SPECIFIC UNITS TO DEVELOP THEIR OWN SOFTWARE AND TO ACQUIRE ESTABLISHED SOFTWARE HOUSES SO AS TO REINFORCE THEIR CAPABILITIES IN THE HUGE INFORMATION TECHNOLOGY MARKET. AN EXAMPLE OF COOPERATION BETWEEN SERVICE PROVIDERS IN THIS AREA IS THE JOINT VENTURE BY STET AND BELL ATLANTIC WHICH SET UP SODALIA TO PRODUCE ADVANCED SOFTWARE.

FINSIEL

It had been noted for some time that our Group and the Finsiel Group had considerable complementary interests in this area, and a large number of relationships already existed. The joint setting up of Telesoft (40% Finsiel, 60% Italy's domestic telephone operator, SIP) was particularly important. This company operates in the network software business, employing 1,000 people and returning satisfactory financial results.

HAVING CLOSELY STUDIED OUR INDUSTRIAL COMPLEMENTARITY AND ALSO CONSIDERING POSSIBLE DEVELOPMENTS IN VALUE-ADDED SERVICES, YOUR COMPANY HAS DECIDED TO BUY IRI'S SHAREHOLDING IN FINSIEL.

THE PROVISIONAL BUYING PRICE IS THE RESULT OF ASSESSMENTS BASED ON SECTOR STANDARDS AND ON THE AUTHORITATIVE OPINION OF MAJOR MERCHANT BANKS. THE FINAL PRICE WILL BE FIXED AFTER STRICT ASSESSMENT PROCEDURES INVOLVING DEBATE BETWEEN THE PARTIES.

THIS IS AN IMPORTANT STEP FORWARD, STET WILL ACQUIRE STRONG SOFTWARE PRODUCTION CAPACITY AT A CRUCIAL MOMENT. ITALIAN TELECOMMUNICATIONS ARE IN THE PROCESS OF BEING UNIFIED AND AT THE SAME TIME ARE STRONGLY ENGAGED IN EXPANDING ACTIVITIES ABROAD. THIS WILL BE A HIGHLY PRODUCTIVE INVESTMENT IN A COMPANY WITH THE POTENTIAL FOR VERY HIGH PROFIT GROWTH.

THE DEVELOPMENT OF TELECOMMUNICATIONS SERVICES TAKING PLACE AT A DIFFICULT TIME FOR THE ECONOMY IS A STIMULUS. WE MUST DEEPEN OUR DAY-TO-DAY COMMITMENT, BOTH TO CORPORATE MANAGEMENT AND TO COMING UP WITH NEW IDEAS FOR SIGNIFICANT ACTION. OUR COMMITMENT MUST BE ON A PAR WITH OUR COUNTRY'S POWERFUL DEMAND FOR MODERNISATION AND RENEWAL.

STET

BIAGIO AGNES CHAIRMAN OF THE BOARD

STET - Societá Finanziaria Telefonica p.a. Registered Office in Turin - Head Office in Rome Share Capital Lit. 4.600.000.000.000 fully paid

Gold tumbles while US backs are turned

By Kenneth Gooding, Mining Correspondent

EUROPEAN SPECULATORS chose the US Columbus Day holiday for a relatively successful attempt to drive down the gold price, traders and analysts suggested. Gold closed in London at \$345.80 a troy ounce, down \$5.05 from

Although the New York Commodity Exchange (Comex) was open, speculators knew it would be thinly-manned because of the holiday.

"It was the one day when Europe could sell without Comex buying in the after-

Ms Rhona O'Connell, analyst at Williams de Broe, part of the Banque Bruxelles Lambert group, suggested that because they [the speculators] failed recently to push the gold price up through resistance at \$352 [an ounce]. they decided to push the other

The Europeans hoped to spark selling by the US funds, she added, and some funds did liquidate their holdings. But the gold market fundamentals were sound, Ms O'Connell insisted, and yesterday's fall was "just professionals having

some fun and games". Traders suggested the volume of gold traded yesterday was not large although some producer selling from South Africa and Australia took place as the price began to fall. The pace of gold's fall was also accelerated when some funds cut their losses at the \$348 level.

Some gold producers, nota-bly Newmont Mining of the have recently unwound their forward sales and hedging, gestures meant to signal they were confident the price did not have much further to

However, American Barrick Resources, the Canadian group, announced at the weekend it had completed a 1m-ounce, ten-year gold hedg-Some traders went even fur-

ing facility that allowed it to receive \$450 an ounce for gold sold forward under spot Mr Andy Smith analyst at

Union Bank of Switzerland. suggested that this news may not have helped the market psychologically.

He suggested that the uncertainties associated with the US

presidential election might help the gold price in the next few weeks, "but after that you can't be too optimistic". Ms O'Connell said that \$345.50 was an important

chart resistance point for gold and if the price broke through that level it might go to \$343.

ther and suggested a fall below \$345.50 might trigger substantial liquidation of US fund holdings and a drop to \$338 an ounce.

At \$350 an ounce about one third of gold production outside the former eastern bloc is unprofitable, S.G. Warburg Securities, the financial services group, points out in its latest International Mining Outlook.

It is forecasting "only modest price improvement and volatility over the next two years". Warburg suggests the gold price will average \$345 an ounce this year, move up to \$370 in the first half of 1993 and to \$380 in the second half.

Think-tank urges energy conservation

By Leyis Bouiton in Moscow

RUSSIAN think-tank yesterday warned against throwing money at Russia's ailing oil and gas industry without tough energy conservation measures and savage structural reforms to privatise or close down loss-making

It forecast that oil produc-

While stressing the importance of foreign capital both for Russia's oil and gas indus-try, and the West, which would promote secure supplies and stability within Russia, the report says that foreign investment which focussed exclusively on oil production would be a catastrophe. Unless foreign capital flowed to a broad range of sectors (including conbe rapidly exhausted without sufficient compensation for the country as a whole.

1198/1189

ers are generally speak-ing rather "laid back"; at least they are when they discuss the size of their crops. They become quite animated when they turn to sport but I was not in the US last week to All of the farmers I visited were busy combine harvesting corn, or maize as we call it in the UK. Most crops were yielding exceptionally well and

FARMER'S VIEWPOINT

Bush seems the lesser '

evil to US growers

TIRGINIAN CROP farm-

talk about hall games.

even my most reticent hosts

admitted to bringing in more

than five tonnes an acre (12.5

tonnes a hectare). But the only

sign of satisfaction was the

occasional lazy smile followed

by a remark to the effect that

the big crops were causing

These are the kinds of prob-

lems farmers dream about, and

it was as clear as the leaves on

the trees that cloak the slopes

of the magnificent Shenandoah

that those who farmed the land

between them were moderately

optimistic, in spite of the trou-

Harvest has not been as good

across the whole of the US.

however. Some dry-land wheat

areas once again had severe drought conditions during a

crucial period in the growing

season and crops in those

states were disappointing. The

total CS yield of what this year

has, in fact, been estimated at

about the same as last year's

and carryover stocks remain

tight. It was announced some

time ago that there would be

no land set-eside requirement

for US wheat growers in 1993.

American maize, on the

other hand, seems set to yield

30m to 35m tonnes more than

last year at 220m to 225m

tonnes and stocks will be

increased significantly. In spite

of this some US grain exporters

pleaded with Mr Ed Madigan,

the agriculture secretary, of

not to impose set-aside on the

crop next year on the grounds

that world demand would

increase and reduced produc-

tion would inhibit their ability

storage problems.

bled US economy.

Fear of runaway environmentalism is likely to

By David Richardson

farm votes he can get. Traditionally most farmers do vote Republican. But along with the rest of the electorate the sector has recently become disillusioned with the president's apparent inability to control the economy. They are even more fed up, however, with the mass of petty, expensive, environmental regulations sent down from Washingbeen rumblings of discontent in rural areas.

r Bush's response has been to launch a V beefed-up Export grain, which will effectively lump almost 30m tonnes on to world markets. Quite how this fits in with US ambitions to get a quick settlement on the General Agreement on Tariffs and Trade, also for electoral reasons, is not entirely clear. The cost to the US treasury, incidentally, will be around \$1bn. In addition the president has overturned the recommendations of his Environmental Pro-

tection Agency by backing farmers' calls for ethanol, an extender or replacement for petrol manufacture from either grain or sugar, to be encouraged as a "green" alternative to fossil fuel. The agency had said that ethanol, while being lead free and therefore desirable from that viewpoint, could cause air pollution because of other chemicals in its make-up if used in large conurbations. By personally approving this alternative market for farm

crops the president has shown that he takes US farmers seriously even though they account for only about 2 per cent of the electorate. But would many farmers have voted for Bill Clinton or Ross Perot anyway? A poll of farmers conducted by Farm Futures magazine before most

of the above measures were

announced indicated that 53

per cent favoured Mr Bush, 32

per cent would vote for Mr Clinton and 15 per cent were

outweigh dissatisfaction with the president not clear whether or not Mr Perot was intending to run. And while there is little enthusiasm on farms, even after the recent financial sweeteners, for four more years under Mr Bush, there is a real fear that a Clinton-Gore administration would make life more difficult for farmers.

For although Mr Clinton has said very little about agriculture during his campaign, and even less in his policy propos-als, it is expected, should he win, that Al Gore, his running mate, will be put in charge of the environment. That, farmers believe, will lead to even more regulations and interference in their affairs, which they detest. For Al Gore is seen as a loony leftist on the environment. His views were expressed in a book first published a couple of years ago, entitled Earth in the Balance. It has been described by Mr Fred Smith of the US Competitive Enterprise Institute as "a kind of Mein Kampf of the

In his book Gore said, for instance that "the time has long since come to take more political risks - and endure much more political criticism - by proposing tougher, more effective solutions (to perceived environmental problems] and fighting hard for "our ecological system crumbling as it suffers a powerful collision with the hard surfaces of a civilisation speeding towards it out of control".

The book contained much more in like vein and as the Clinton-Gore bandwagon has rolled onward and upward it has entered the best seller lists across the US. Many copies have undoubtedly been bought by farmers who now fear that they may be easy targets for extremist environmental protection measures by a new Democratic presidency. But one farmer summed up the more general feelings of many when he told me: "I'm fed up with Bush; I don't trust Clinton and Perot is a joke. To tell the truth I'd rather abstain. But I guess on the day I'll hold my nose and vote for Bush".

If the opinion polls are even close to being right that will not make much difference. "Slick Willy" Clinton will become president. But only one poll counts and that's the one said the other evening: "It ain't over till the fat lady votes".

Russia plans to streamline oil sector

By Chrystia Freeland in

RUSSIA'S OIL industry, second in size only to that of Saudi Arabia, is on the verge of a major reorganisation that could admit more private investment. Last week Russian oil industry and government officials approved the draft of a plan to restructure the oil sector into a handful of vertically Integrated joint-stock companies under the aegis of a single super-trust, tentatively named Rosneft.

According to the programme, which still has to be approved by Borls Yeltsin, the Russian president, Russia's 40-odd selffinancing oil producing groups would be marshalled into a limited number of integrated 'well-to-pump" trusts by December 1. A controlling packet of 49 per cent of the shares in each trust would be placed in the bands of Rosneft, allowing the government to retain effective control.

"It is impossible not to worry that the momentum for change will be lost during the transitional period the programme

eron, a European energy expert who was in Moscow to hold a workshop for Russian oil and gas specialists.

The draft programme, which stipulates that foreign and domestic private investors may purchase shares in the new trusts, is being billed in Russia as a three-year transitional step which would prepare the oil industry for more far-reaching privatisation.

However, the immediate effect of the plan would be to beef up centralised control and right to dispose of its shares.

For Mr Viktor Chernomyr-

curb the autonomy Russian oil producers, most of them in distant Siberia, have enjoyed in the chaotic months since the collapse of the Soviet Union. According to the draft plan, the government would guide overall policy, control exports, and have the right to block take-overs. Rosneft, the super-trust, would not have the

"The repercussions of radical change are frankly frightening them," said Mr Cameron, citing the Russian government's fear of unemployment, higher prices and a dilution of central din, deputy prime minister responsible for the petroleum sector, the programme represents a delicate balancing act between Siberia's powerful oil barons and Moscow's Fuel and Energy Ministry. "By no means should we

impose it [the program]," he told journalists. "The principle is that it must profit the producers and the whole country." The Russian oil industry, potentially an engine for economic recovery, is collapsing almost as quickly as the rest of

Figures published over the weekend in Delovoy Mir. a Russian business newspaper indicate that oil output fell by 14 per cent in the first eight months of the year and the government predicts that in 1992 Russia will average 8m barrels a day, down 1m b/d from 1991.

Moreover, western investors have been wary of Russia, preferring the warm welcome and clear lines of command in other former Soviet republics

country with as much oil and gas as Russia cannot conclude a single major contract with a big Western company," said Mr Cameron. He said that western oil men were reluctant to finalise deals in Russia because of uncertainty about who actually controlled the oil The reorganisation of the oil

"It is remarkable that a

industry into trusts might open a window of opportunity for western investors, but Mr Cameron predicted that they could be reluctant to commit substantial funds into companies in which the government retained a dominant

Mr Cameron said that the promotion of 54-year-old Mr. Chernomyrdin, who won a reputation as a tough manager in his days as the head of Russia's gas monopoly, to the top job in the Fuel and Energy Ministry, had strengthened the hand of the conserva-

"There are indications of a growing conservatism (in the oil industry), based on social

Safety fears may force closure of Ekofisk tank

By Karen Fossii

THE NORWEGIAN Petroleum Directorate, the oil industry watchdog, is considering an order to close the main processing and transportation facilities on the tank in the giant 10-platform Ekofisk field by the winter of 1995-96 for safety reasons.

Phillips Petroleum Norway is the operator of Ekofisk, a worsening of the situation. It major part of the world's biggest oil and gas transportation system, and holds a 37 per cent stake in the field. Petrofina holds a 30 per cent stake and

MARKET REPORT

Agip has 13 per cent.
Oil is processed and transported via Ekofisk to Teesside. England, and gas to Emden, Germany. Mr Jan Hagland, an NPD official, said that about 40 per cent of Norway's petroleum production was transported via

Ekofisk facilities. The directorate said ageing technical equipment combined with inadequate maintenance were the main causes for its concern and that subsidence of the field had contributed to a added that studies carried out by Phillips also revealed safety-related deficiencies on the installation.

Phillips and its partners have three weeks to reply to the NPD, which said that further modifications to facilities would not sufficiently compensate for continued deterioration in the situation.

Mr Hagland said the NPD thought there was time for Phillips and other licence holders to establish new, similar capacity to avoid permanent closure of the field.

In 1987 Phillips and partners invested NKr4bn (£395m) to jack up the steel platforms in the field's centre to secure them against the consequences of subsidence, which is thought to be caused by a drop in the pressure in the field's

In 1969 a protective concrete wall was installed around the Ekofisk tank to enhance safety,

COCCA - Leader FOX

664 665

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and a major water injection project is under way to increase recoverable reserves beyond the year 2011, when the group's licence in the field

Phillips said it was studying changes to the existing Ekofisk processing and transportation system and to this end would respond to the NPD within the stipulated period.

The oil ministry, which oversees licensing of fields, has not yet received a request from Phillips to extend its licence beyond the year 2011, but analysts said this would be necessary if the group was to make significant investments to meet the NPD's demands.

The report, produced for the Russian Foreign Policy Foundation by experts including Mr

Andrei Konoplyannik, a deputy energy minister, also lays great stress on the need for energy conservation, saying that 40 per cent of energy produced in 1991 had been wasted. While national output had fallen by 7.5 per cent, oil consumption had decreased by only 2 per cent. Expectations that resources would be freed up for additional exports had also proven unfounded.

tion this year would fall to 380m tonnes, an even gloomier figure than the 398m tonne estimate by Mr Viktor Chernomyrdin, the deputy prime minister responsible for energy policy. Although the gas sector is generally considered more stable than oil, production could fall 10 to 12 per cent over the next year after showing no growth in 1991 unless urgent (but unspecified) action was

> to export. Mr Madigan ignored their requests and a few days ago announced that to qualify for loan rate subsidies in 1993 US farmers will have to set-aside 10 per cent of their maize acreage. As well as cutting supplies, of course, the move will also harden prices, which may not be entirely divorced from the coming presidential election and, if the opinion polls are accurate, the somewhat desperate requirement of President George Bush for all the

(Prices supplied by Ameigemeted Metal Trading AM Official Kerb close Open Interes

Total daily turnover 41,054 lots

Total daily armover 30,513 lots

Total daily turnover 2,414 lots

Total daily turnover 5,137 lots

148,446 lots

25,944 lots

WORLD COMMODITIES PRICES

1185.5-6.6 1208.5-9

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Dec Mar Dec Mar

um, 99.7% partly (8 per tonne)

LONDON METAL EXCHANGE

Cash 1319.5-21.6 3 months 1352-4

Lead (£ per tonne)

Gash 317-8

TIN came under heavy selling pressure on the London Metal Exchange. The market slumped to five-month lows at the close and further declines seem likely. Persistent liquidation, and merchant and Chinese selling meant there were very few buyers, dealers said. Available supplies are more than adequate to meet current depressed demand, and physical market premiums have contracted recently. Charts are weak and the next major objective is \$5,800 a tonne for three-month metal. NICKEL was also in retreat, dropping to new	32-month lows. Dealers lack of significant products and plentiful supplications and plentiful supplications and plentiful supplications and plentiful supplications are serier lows, but shows inclination to raily, give sluggish fundamentals expectations of further rises. ALUMINIUM edgirom earlier lows in lat on some option-linked although the market recasier as consumers wunwilling to chase thremetal up to \$1,200 a to Compiled from Reuters.

London Markets

SPOT MAURETS

M-		
Crude off (per barrel FOB)(Nov)	+ or -
Dubai	\$18.75-8.852	+ 125
Brent Blend (dated)	\$20.75-0.85	+0.05
Brant Blend (Nov)	\$20.80-0.90	+ 025
W.T.J (1 pm est)	30 £ 30c	025
Off products (NWE prompt delivery per	terms OF	
franc brombt delivery ber	route OL	+ or -
Premium Gasoline	\$222-223	
Gas Oil	\$204-205	+2
Heavy Fuel Oil	\$102-104	
Naphtha	\$195-197	+3
Petroleum Argus Estimates		. •
Other		+ or -
Gold (per troy oz)	\$345 80	-5.05
Silver (per troy oz)	376.5c	-3.0
Platinum (per troy oz)	\$357.20	+ 1.20
Palladium (per troy ez)	\$96.00	+125
Copper (US Producer)	105.0c	
Lead (US Producer)	37 8c	
Tin (Kuala Lumpur market)		
Tin (New York)	281.5c	-7.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)	109.79p	+2.10
Sheep (live weight)†	75.62p	+ 2.03*
Pigs (live weight)†	82.40p	+ 4.75*
London daily sugar (raw)	\$226 Gw	-0.5
London dally sugar (white) Tate and Lyle export price		-0.5
		-1 5
Barley (English feed)	£132.75R	
Maize (US No. 3 yellow)	£140 0	
Wheat (US Dark Northern)	Uniq	
Rubber (Nov)♥	58.00p	-0.25
Rubber (Dec)♥ Rubber (KL RSS No.1 Oct)	57.75p	-0.50
Coconut oil (Philippines)§	\$500.0y	+50
Palm Oil (Molaysian)§	\$407.5	
Copra (Philippines)§	\$315.0	
Soyaboans (US)	£146.0z	
Cotton "A" Index	53.30¢	0.40

413p Ĉ a tonne uniess otherwise stated, p-pence/kg La unine uneas contentes stated, peaceast, c-cents/lb -r-inggi/kg t-lan/Mar y-Nov/Dec u-Oct. w-Oct/Nov 2-Nov fMeat Commission average fastock prices." change from a week ago WLondon physical \$CIF Robrodam. — Bullion market closo. m-Malaysian cents/ iuction ed above ed little en and stock te trading buying, emained vere e-month

	-	- POX	(5 per tonne)
-	Close	Previous	High/Low
9C	184 00	194,00	192.00
ř	195 00	193.00	192.60
hite	Close	Previous	High/Low
×	258.00	255.80	257 00 255.50
27	257 50	255.50	256.20 255.00
nite : IC 12	272 (307) 96.82 Mgz	Parts- Wh 1327 52	of 50 tonnes. nite (FFr per tonne):
RUDA	I OIL ± 1	PE	S/barrel
	Cion	Previo	ous High/Low
W	20.8		20.89 20.80
in in	20.8- 20.7		20.89 20.80
, b	20.6		20.68 20.65
1			
ır E tınd	20.5 es 20.7		20.55 20.50
mov	er 24787 (47517)	
A5 0	L - IPE		\$/tonne
	Close	Previous	High/Low
1	194.75	194.75	195.25 194.00
v c	198.50	198.75	199.25 197.75
	200.75 200.75	200.75	201.00 200.00 201.00 395.75
5	196.00	200.75 196.00	196.25 195.75
	169.50	189.25	190.75 189.00
•	184.00	183.75	(84.50 194.00
r		181.00	181.00 180.50
r F	181.00		
	181.00 179.00	179.50	179.00

TEA There were 17,888 packages for the reports the Tea Brokers' Associate Demand was good. Landed medium better quality Assams were well support tuily firm to dearer rass, but playons came to an an easier market some withchavels. Brighter liquoring Africans sold well at firm to dearer. The ramainder were barely steady, shore: fair demand with brightest destons dearer. The highest price rea this week was 210p for three Assam.	and oried alner with East ates. Off-crip-Reed pts.
Quotations quality 170p, good men 138o medium 124o low medium 83o.	210111

			of 10 tonnes		3 months	330-1	332	2.5	333
CO I	edicator p	rices (SDF	ls per tonn .56) 10 day	e). Daily	Wickel (\$ p	er tonne)			
rice K	12 755,91	(755.26)	.00) 10 day	everage	Cesh 3 months	6455-60 6530-3	6614 666		654 668
					Tim (5 per t	onne)			
OFFE	Closu	Previous	High/Low	\$/tonne	Cash 3 months	6115-20 6185-90	6240 6303		631
					Zinc, Speci	al High Grad	(\$ pe	r tonne)	
ov	846 857	843 858	850 <i>6</i> 36 861 846		Cash	1179-81	1179		
en ler	885	867	674 860		3 months	1190-1	119	1-2	118
lay	863	864	872 860		LINE Creek	TUE TRANS			
ul	868	866	877 867		SPOT: 1.70	50) mo	refre: 1.6	886
eb	877	880	679						
O ind	icator pri		5 tonnes ents per po .84) 15 dev			plied by N A			
3.20 (4	8.89)				Gold (troy	\$ pnce		E equiv	alent
OTAT	OES - L	PO)		£/tonne	Close	345.60-346			
	Close	Previous	High/Low		Opening the Morning the	350.10-356 348.10	J.4U	204.284	
	-	44.4			Afternoon i			203 644	
pr	81.8	61.1	63.0 61.5		Day's high	350.20-350			
umave	ir 82 (18)	lots of 20 ;	ionnes.		Loco Ldn k	345.10-345 fean Gold L		Rates (/s US
OVAN	WAL - 1	onden FO	_	E/honne	1 marth	1.64	6 mc	អាដាទ	1
-				DWEN	2 months	1.86	12 m	iontha	1
	Close	Previous	High/Low		3 months	1.68			
BC	-	135.00			Silver fix	b/troy oz		US cts	BQUİV
TLUCAS	r 0 (30) l	ots of 20 to	mnes.		Spot 3 months 5 months	220.50 225.05 229.40		374.40 377.15 380.15	
REFOR	T - Los	don FOX	\$10/Ind	lex point	12 months	287.70		386.75	
	Close	Previous	High/Low		GOLD ÇÛI	NS			
려	1085	1085	1097 1080			S price		£ equiv	ralent
90 90	(137 1125	1133 1130	1140 1135 1140 1135		Krugerrand		49.00	201 00-	
ec Via	1185	1180	1185 1181		Maple leaf	355, 10-3		-	0.00
N.	1220	1220	IDDY 1250	•	New Sovere	Hgn 84.00-86	.00.	48.00-5	0.00
٦.	1039	1038	1039						
KNOVE	r 57 (56)				TRADED O	PTIONS			
					Akıminium	(99.7%)	Çalle	-	uiş
RAVINS	- Louis	PH POOR		E/tonne	Strike price	\$ tonne Oct	Jást	0d	Ján
	Close	Previous	High/Low		1150 1300	32 6	62 32	8 29	12 31
N.	123,85	124.25	124.00 (21	86	1260	3	111	73	82
p	126.70	127.25	127.35 126.		Copper (Gre	ude A)	Calls		Tutta .
	129.76	150.25	130.15 129.			,		7	
10	132.35	133.00	132.00 133	25	2200 2300	72 15	107 50	šn.	25 86
n	135.75 106.25	106.00	133,76 106,25		2400	3	19	135	134
riey	Close	Previous	High/Low		Cottee	Nov	Jan	Nov	Jen
)¥	122,20	122.70	122-20		800	48	74	3	17
	125.65	T26.50	128.00 125.	85	850	14	44	19	37

128.75 129.80 128.90 128.75 Tumover: Wheat 207 (703), Barley 82 (196).

Gosa Previous High/Low

August a Silver of the second
880/8530	1	6617-20	8555-6	6 2	8,680 lots	_
			Total o	delly turno	ver 2,753 lot	=
		6150-60				Dec
315/6130	1	6215-20	6125-8		0,830 lots	_ Mgr
			Total di	nily surnov	er 14,376 lot	
189/1170		1176-7 1188-9	1190-1		5,979 lots	Jul
10071171	_	1100-0	1100-1		-	Sep Dec
	6	months: 1.	0625	Vin	ontra: 1,648	
		-				May
	144.	ew Y	-			Jul
		EW 1	UIK			COFF
_	201	D 100 troy	AT · Shemi	.07		
t	GOL	Close	Previous		war	
	Oct	345.2	350.4	346.8	345.2	_ Dec
	Nov	345.3	350.6	a	0	Mar May
	Dec	346.1	351.4	347.8 349.0	345.8 347.0	Jul
	Fsb Apr	347.2 348.1	352.6 353.7	350.0	347.8	Sep
	Jun	349.3 350.7	355.0 356.5	351.0	349.8 0	Dec
88)	Aug Oct	350.7 352.3	356.5 356.1	ŏ	ä	Mer
1 78	Dec	353.9	359 7	355.8	354.7	SUGA
199	PLA	TINUM 50	roy oz, \$/t	roy oz.		
		Close	Previous	High/La	w	
/	Oct	357.1	357.8	359.0	358.0	Mar
	Jan Apr	355.1 353.6	355.9 354.4	357.5 354.5	354.0 352.5	May
	Jul	353.6	354.4	0	Ö	Oct
	Oct	356.6	357.4	9	Ö	MAL
	SELV	ER 5,000 to				COTT
		Close	Previous			will
nt .	Oct. Nov	373.2 373.7	375.8 376.3	0	0	
10	Doc	375.2	377.8	376 5	374.0	Dec
_	Ann	376.4	379.0 381.4	0	0 377.5	No.
	May	378.8 381.2	383.8	382.5	381.5	Mary
	400	383.6	366.2	0	0	Jul Oct
	Bee Dec	386. ī 390. 1	388.7	C 390.0	0 390.0	Dec
	Jan	301.5	393.9	0	0	ORAN
4	HIGH	GRADE C	OPPER 25	,000 Tos: ca	nts/lbs	
		Close	Previous	High/Lo	w	Nov
	Oct	99.65	100.75	100 35	99.45	Jan
_	Nov	99.90	101.15 101.60	100.00 101.20	99.70 100.20	Mar
	Dec Jan	100.45	102.05	101.20	100.25	May
	Fęb	101.40	102.45	101.50	101.50	Sap
•	Mar	101.65	102.85	102.30	101.70 0	Nov
	Apr May	102.10 102.55	103.35	103.00	102.50	Jen Mer
n	Jun Jul	102.85	103.55 103.65	103.40	103.00	Total Control
		DE OSL (Lig				
	CHU		Previous	High/Lot		IND
 l'		Clase				REU
_	Nov	22.30 22.22	22.37 22.30	22.33 22.27	22.22	1001
	Dec Jen	22 11	22.18	22.16	22.06	
	Feb	21.68	22.05	22.00	21.93	_
	Mor	21 .82 21.68	21.89 21.75	21,84 E1.67	21,78 21.63	DOW
<u> </u>	Apr May	21.55	21.62	21.25	21.62	_
	Jun	21.44	21.51	21,43	21,42	Spot
	Jul Aug	21.34	21.41 21 31	21.35 21.25	21.22	Future

									- 1
HEA	TING OIL	42,000 US p	alis, cent	s/US galls	C	ilcag	10		
_	Close	Previous	High/L	gw					- 1
Nov	85.48	65,89	66,76	66.16	_ <u>80Y/</u>	ABEANS S	,000 bu min;	cents/60lb b	ushel
Dec	66.07	66.62	66.36	55.85		Giose	Previous	High/Low	
des	68.22	59.56	66.45	86.00	Nov	536/6	532/6	530/4	530A
Feb Mer	85.20 62.55	65.34 82.65	85.20 62.50	64.90 62.30	Jen	542/0	537/6	844/4	835/
Apr	60.40	60.49	60.30	60.15	Mar May	549/2 556/0	544/2 851/4	650/6 658/0	641/ 649/
May	58.95	58.90 57.98	0	0	Jul	563/4	869/2	665/4	657/
Jun Jul	58.00 57 75	57.6 5	57,80 57,65	57.80 57.65	Aug	967/4	DAS88	888/2	8624
Aug	68.30	58.20	50.25	56.00	Sep	566/0	582/4	567/Ů	5664
COC	OA 10 ton	nes;\$/bonne	8		- SOY/	MEEAN OIL	. 60,000 Ebs;	bente/ib	٠.
	Clean	Previous	High/L	3M		Close	Previous	High/Low	
Dec	978	970	979	982	- Oct	18.65	18.43	18.86	18.35
Mgr	1027	1017	1025	LOUS	Dec Jen	18.88 19.05	18.69 18.85	18.88 19.05	18:56 18:73
Mary	1056 1084	1076	1057 1079	1076	Mar	19.27	19.07	19.29	18.96
Sep	1114	1108	8	0	May	19.45	19.29	19.45	19.20
Dec	1147	1139	0	ō	Jul Aug	19.66 19.70	19.53 19.55	19.66	19.53
Mar May	1166	1177	1102	1182	Сер	19.80	19.55	19.70	19.56
Jul	1215 1252	1207 1244	6	9	BOYA	BEAN ME	AL 100 tons;	Silton	
COF	PEE "C" 37	7.500fbs; ca	nts/lbs			Close	Previous	High/Low	
	Close	Previous	High/La	w	Oct Dec	178.1 180.9	178.0	179.0	176.5
Dec	61.80	62.25	62.50	61.25	Jan	181.9	181.2 181.9	181.8 182.6	180.0 181.0
Mar	63.40	63.85	64.00	82.80	Mar	182.4	182.4	183.2	181.5
May Jul	68.90 68.25	67.25 68.40	67.35 68.80	68.20 68.30	May Jul	182.8 184,6	182.9 184.4	183.5 185.2	181.7
Sep	70.25	69.75	70.50	69.65	Aug	185.2	185.1	185.7	184.7
Dec	72.85	72.06	73.00	72.00	8ep	196.2	186.1	186,5	185.7
	74.00	74.00	0	6	MAIZ	E 5,000 bu	min; cents/6	60b bushel	
8UG/		112,0	100 lbs; ce	nts/ibs		Close	Previous	High/Low	-
	Close	Previous	High/Lo	No.	Dec	209/6	208/2	210/2	208/0
Mar	8.70	8.68	8.70	8.58	Mar Muy	217/6 223/4	216/6 223/0	218/2 224/2	218/4
May	8.81 8.85	8.72 8.75	8.82 8.85	8.70 8.74	Jul	228/6	227/6	228/6	227/2
Oct	8.84	8.89	8.71	8.70	Sep Dec	231/6 235/0	235/0	232/0 235/0	231/0 233/6
MAIL	8.85	8.70	0	0	WHEA	T 5.000 bu	min; cents/		
coπ		cints/lbs			_	Close	Previous	High/Low	
	Close	Previous	High/Lo	**	Dec	352/0	341/4	352/4	344/0
Dec	53.44	51.95	53.65	51.61	Mar May	350/0 537/6	341/6	350/2	##/ 4
Mary	53.43 53.95	52.38 53.00	54.00	52.00 52.60	Jui	316/6	332/0 314/0	338/4 B17/4	334/0
Jul	54.40	53.80	54,60	53.20	5 6 p	322/4	319/4	322/4	320/0
Oct Dec	55.00 55.40	54.82 55.01	55.00	54.80 54.80	LIVE	ATTLE 40	.000 lbs; cen	ts/lbs	
ORAN	GE JUICE	15,000 lbs;				Close	Previous.	High/Low	
	Close	Previous	High/Lo		_ Oct	78.100	75.825	76.200	75.900
Nov	98.90	98.60	99.50	96.10	- Feb	74.475 71.875	73.675 71.325	74.500 71.900	73.625 -71.425
Jan Mar	97 10	28.30	97.75	95.25	Apr Jun	72.750 69.800	72.275	72.850	72,300
Мау	98.06 99.05	99.05 100.00	98.50 99.50	96.25 97.25	Aug	68.500	69,250 68,050-	69.600 68.550	69.200 68.100
All Sap	96.40	99.25	99.00	96.00	LIYEH	IOGS 40,0	00 lb; cents/l	bs.	
Nov	98.20 98.20	99.25 99.25	0	0		Clima	Previous	High/Low	
Jen Mar	98.20 98.20	99.25	0	B	Dat.	43.576	42.575	43.700	42,800
	20.20	20.25	98.00	98.00	Dec Feb	44.850	6330	44.750	45,425
					Apr	41.675	42.525 40.825	43,600 41,700 .	42,625 41,000
	ICES				Jun	48.325	45.700	46.325	45,800
100	JTERS (B.	ase: Septe	mber 18	1831 =	Jul Aug	45.600 44.375	45.250 43.950	45.700 44.375	45.350 44,000
<u></u>	Oct 10	Oct 9	moth a	O yr ago			10,000 lbs; cs		7
<u>~</u>	1591.5	1590.9	1528.6	1620.6	—	Close	Previous	High/Low	<u></u>
DO	JONES (Base: Dec.	31 1974	100)	Feb	41,300	39,300	41 200	4b 700
	Oct 9	Oct 8	Month eg	о ут адо	Mar	41.125	39.150	41.150	30,600
Spot Futur	113.92 es 114.84	113.75 114.85	118.03	114.18	May	42.556 42.750	40,600 40,700	427.6ND	42.000 41.200
		.,	114,48	123,31	Aug	4	40.750	42,750	- 1444

FINANCIAL TIMES SURVEY

European Finance and Investment: France

Tuesday October 13 1992

The short-term problems of an economic slowdown and political uncertainty ahead of legislative elections pale beside the need to secure France's future as a vibrant and well-capitalised financial

centre. Alice Rawsthorn reports

Pensions and privatisation

THE very best brains in the French civil service reputedly ilmost always find their way to the finance ministry at Bercy in eastern Paris.

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The Bercy bureaucrats are even busier than usual these days as they labour away on two areas of immense importance to France's financial sector - privatisation and pension

The French government has since last autumn been working on plans to sell off part of its holdings in France's statecontrolled companies and on liberalising the pension sys-tem. These legislative initiatives will, France's bankers and brokers hope, provide a sorely needed stimulus for the entire financial system.

France's financial sector has just emerged from a period of radical reform. The old rules and rituals that had regulated banking, broking and insurance have been overhauled. Closed markets have been opened State-of-the-art technology has been introduced. The old agents de change who used to populate the Paris stock market have been chased away by the securities subsid-laries of the big French banks

and global financial groups. in theory, the French system ought to be operating as a thoroughly modern market. But in practice its progress is still impeded by the lingering legacy of the old government controls over finance and industry. These controls stem not only from the state's direct holdings in the big industrial groups but from its indirect influence as an investor in the state-controlled banks and insurers, and finally from its stranglehold over the pension system.

The socialist government, led by Mr Pierre Bérégovoy, first in his old role as finance minister and latterly as prime minis-ter, is committed to dismantling those controls. President François Mitterrand led the way last autumn by announcing a new policy of partial privatisation. Mr Bérégovoy followed by heralding the long-awaited reform of the pension system which would supplement the old state-administered scheme with a new private pension programme.
"The French financial sector

has already gone through a period of dramatic change. says Mr Michel Albert, chairman of Assurances Générales de France (AGF), one of the largest state-controlled insurers. "In many respects Paris has gone much further in its reforms than London, certainly further than New York or Tokyo, because, before the reforms, finance in France was seen as part of the state's domain. It had nothing to do with the market. Privatisation and pension reform will continue the process."



The commercial district of Lyon, with the offices of Banque Populaire (left) and Crédit Lyonnaise (right)

One reason why French financiers are so eager to that, in sectors such as insurance and banking, they make it more difficult for French companies to compete in increasingly competitive and international markets.

So far, France's insurers and banks have emerged relatively unscathed from the global economic slowdown. They have been affected by the sluggish state of the French economy, specifically by its impact on their industrial investments and property holdings. Both sectors have produced a series of lacklustre interim results this autumn, reflecting compettive market conditions and hefty rises in provisions on bad debts and risky property

and banking groups have been spared the financial crises that

have beset their counterparts in more vulnerable markets, notably the US and UK. The only leading group whose future is in question is Crédit Lyonnais, the state-controlled bank, which has been clouded by controversy over its ambitious international expansion and aggressive lending policy.

The Crédit Lyonnais strategy may appear audacious in a French context, but it almost seems sheepish compared with some of its more aggressive Anglo-Saxon counterparts. France's insurers and banks are well placed to continue their expansion, albeit at a gentler pace than in the 1980s. at a difficult time for their competitors. However there is concern

that, in the long term, their international ambitions could But the French insurance be inhibited by state controls. The nationalised insurers - Union des Assurances de

Paris (UAP) and the GAN Group, as well as AGP they are at a commercial disadvantage in that they cannot tap the markets for capital and have to finance their expansion internally. As state-con-trolled companies they are also unable to invest in the US mar-

There is also the risk of conflict between the state's expectations of the nationalised banks, Banque Nationale de Paris (BNP) and Credit Lyonnais, and the international regulations on issues such as capital standards, with which they must comply. The banks come under criticism from international banking analysts for the arrangements whereby they voluntarily" take stakes in other mate-controlled concerns. These deals are not always to the banks' disadvantage. Credit Lyonnais has used them to extend its equity base and finance its expansion. But they do perpetuate the image of French banking as an industry trapped in tradition.

However, the real impact of the state's influence over industry and the pension system is its effect on the French stock market which, despite the reforms of recent years, still suffers from poor liquidity because of the shortage of equity and investment. The liquidity problem has caused serious difficulty for France's stockbrokers, almost all of

whom made losses last year. One of the chief causes of the equity shortage is that so many large companies - 20 per cent of French industry - are government-owned. Similarly, the state's stranglehold over pension provision means that the Paris stock market does not have the same influx of investment from private pension schemes as its counter-

parts in London and New York. French pensions are paid by the Caisse de Retraite on a cash management basis from money received from those in work. This means that private pension funds are virtually non-existent, representing just 10 per cent of the Paris market

against 60 per cent in London. These problems should be alleviated over the long term by the combination of privatisation and pension reform. The socialists have already begun both programmes although, so far, their progress has been slower than the financial sec tor - and the politicians - had originally hoped.

Partial privatisation started with the sale of minority stakes in Elf Aquitaine and Total, the oil groups, and the Crédit Locale de France bank. The government also hopes to float holdings in several other companies, including the insurers, but ironically, its plans have been hampered by the depressed state of the stock

However Mr Bérégovoy and Mr Sapin, his successor as finance minister, are still committed to partial privatisation and will undoubtedly revive their plans as soon as the market recovers. In the long term, it is expected that privatisation will be extended to the banks. The programme is expected to lerate if the conservatives oust the socialists in next

spring's legislative elections. Mr Bérégovoy has also been stymied in his plans for pension reform. The French government, whatever its politics has no option but to revise the pension system, which was conceived in the post-war period when France's growing young workforce was easily able to pay pensions for the retired population.

The system has come under strain as the population has aged and the situation is set to worsen. By the year 2030 there will be more people drawing pensions than there will be in work to pay for them. The obvious solution is to supplement the state system with private pensions, as other countries have done.

made. Mr Bérégovoy recently

IN THIS SURVEY

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announced the launch of a plan d'épargne de retraite pension savings scheme. However, his hopes of tabling more ambitious proposals, possibly by introducing corporate pension schemes, have been hindered by the opposition of the trade union lobby, which has cam-paigned against any relaxation of the state's responsibility for pension provision.

The Bercy bureaucrats have also baulked at the logistical difficulties of pension reform, notably the problem of per-suading the French electorate to pay extra money for private pensions at the same time as they are already funding the state scheme.

"There is no easy answer," says Mr René de la Serre, chief executive of the Crédit Commerciale de France banking group, who is an enthusiastic advocate of pension reform. This is a complicated issue, but one thing is certain, in 15 or 20 years France will have the benefit of its own private pension funds."

Fifteen years seems a long time to wait, but the consensus among France's financiers is that it will be worth it. The short-term problems of the economic slowdown and the political uncertainty ahead of next spring's legislative elections nale beside the need to secure France's future as a vibrant, well-capitalised financial cen-

HERE'S ONE GOOD WAY OF FACING ECONOMIC UNCERTAINTY.



T'S CALLED THE MATIF.

INTEREST AND EXCHANGE RATE SWINGS. THE HIGHS AND LOWS OF STOCK AND COMMODITY PRICES - SO MANY IMPONDERABLES MARK THE BEAT OF ECONOMIC LIFE AND MAKE THE WORLD OF BUSINESS PRECARIOUS. THESE RISKS, HOWEVER, ARE NOW MANAGEABLE. THE MANY POSSIBILITIES OFFERED SINCE 1986 BY A STRONG, LIQUID AND TRANSPARENT MARKET HAVE TAKEN THE RISK OUT OF RISK MANAGEMENT. THIS IS THE WORK OF ONE OF THE WORLD'S LEADING FUTURES MARKETS - THE MATIF. THE MATIF, WHICH TRADED OVER 37 MILLION FUTURES AND OPTIONS CONTRACTS IN 1991, THE MATIF. WHICH RECORDED THE FASTEST GROWTH OF ALL FUTURES MARKETS, PROVIDING UNBEATABLE SECURITY AND LIQUIDITY. THE MATIF, WHICH THE NOTIONAL, THE WORLD'S SECOND LONG-TERM INTEREST-RATE CONTRACT, THE 3-MONTH PIBOR, RIDING HIGH ON AN EXCEPTIONAL GROWTH RATE IN 1991 (+58%), THE ECU BOND FUTURES, NUMBER ONE ECU-DENOMINATED INTEREST-RATE CONTRACT AS THE ADVENT OF THE SINGLE EUROPEAN CURRENCY DRAWS NEAR, AND THE CAC 40 CONTRACT, INDISPENSABLE IN TIMES OF MARKET RISKS, PROVIDES A PANOPLY OF HEDGING TOOLS. A BROAD FOREIGN MEMBERSHIP AND AN IMPORTANT NON-RESIDENT TRADING ACTIVITY OF 30 TO 50% CONFIRM MATIF'S INTERNATIONAL VOCATION AND DIMENSION. PARTICIPATING ACTIVELY IN GLOBEX, THE INTERNATIONAL ELECTRONIC TRADING SYSTEM,

AND CONSTANTLY IN MATIF STANDS TO FACE THE FUTURE. TODAY, RISK-TAKER TURNS



PURSUIT OF INNOVATION, THE CHALLENGES OF ONLY AN INVETERATE HIS BACK ON MATIF.

MATIF S A. - 176 RUE MONTHARTRE 75002 PARIS - TEL: 33 1.40.28.82 82. - FAX: 33.1.40 28.80.01 nes admentisment was approved for purposes of the U.K. Financial Services act by BNP Capital Markets Limited. A nember of SPA

Alice Rawsthorn reports on the launch and likely impact of a new type of insurance business

Challenge to the agents' networks

ness - Direct Assurance. Direct Assurance is a subsidiary of Axa, the second largest French insurance firm. It has been set up specifically to sell a narrow range of insurance policies by direct marketing. rather than through the national network of agents that sell Axa's usual portfolio

of insurance products. For Axa the new company represents the culmination of two years of planning and preparation. "This is an important project for us," says Mr Gerard de la Martinière, chief executive of Axa. "At the moment we are operating on a small scale, but if Direct Assurance succeeds it could eventually become an important part of our business.

Direct Assurance also has implications for the rest of the FFr449.2bn French insurance industry. Its success might catalyse radical changes in the whole French insurance mar-

At present the industry is dominated by networks of agents, who deal exclusively in

dio all owed money to Credit

fared rather better than their

international competitors,

notably the US and UK insur-

ers, at withstanding recession-

the products of particular com-

panies. This means that it

takes a long time, and lots of

money, for newcomers to build

up the necessary networks in

order to establish themselves

in the French market. As a

result the agency system has

helped protect the big French

insurers - which include

state-controlled companies

such as Union des Assurances

de Paris (UAP), Assurances

Générales de France (AGF) and

the GAN Group, as well as Axa

France and from their competi-

All that could change if Axa

establishes the principle of

direct insurance sales. It would

then become much easier and

tors in other countries.

against competition within

Mr Haberer's critics had a chance to assess his strategy when Crédit Lyonnais' interim results came out last month. The successful international expansion fuelled a healthy increase in net banking income. But the lengthy list of bad debts and sour investments produced an equally healthy (or unhealthy)

exception, rather than the rule, in pursuing so risky a strategy

increase in provisions. As a

result Crédit Lyonnais came within a whisker of a loss, when net profits plummeted from FFrL8bn to just FFr119m. Luckily for the rest of France's banking industry, Credit Lyonnals was the exception, rather than the rule, at having pursued quite so risky a strategy. "The French banks have been under heavy pres-

cheaper for newcomers to enter the French market. Axa's initiative comes at a sensitive time for France's insurance companies. So far they have

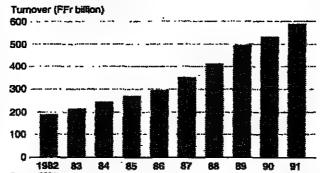
reasonably good growth prospects in the FFr228bn life market, particularly in the light of the ongoing reform of the French pension system. Moreover, the level of competition is lessening slightly in the FFr189bn non-life market. The mutuelles, which enjoyed frenetic growth in the 1970s and by selling insurance to particular groups of clients such as public sector employees, seem to have reached their

The French insurers have

The state of the s

But there are problems on the horizon. In the long term Direct Assurance could pave the way for other direct operations, thereby making it easier for new competitors to move into the French market. A more immediate cause for concern is the change in the economic environment which making it more difficult for French insurers to use the profits from their financial activities to compensate for the

French insurance companies



BANKS

Only one horror story

financial pressure on their

non-life business. "Since 1984 the industry benefited from four factors: disinflation, high real interest rates a strong stock market and a buoyant property market," says Mr Michel Albert, chairman of AGF. "Only one of those factors remains - interest rates are still high in real terms. From now onwards the

French insurance groups will have to be more rigorous about the way they run their busi-

This rigour is already apparent. Since last autumn the big insurers have been raising tariffs, particularly in the most competitive sectors such as motor insurance, as, one by one, they have decided to forfeit market share to protect

profitability. In the long term, direct selling schemes, such as Axa's Direct Assurance initiative, also offer scope for improving efficiency by enabling the insurers to cut costs by by-passing the agency

The French insurers are also likely to become more rigorous in their approach to international expansion. Most of the major groups expanded actively into other countries in the late 1980s, culminating in Axa's investment in Equitable Life, one of the largest US insurers. The investments continue. AGF has been pressing ahead with its move into Germany by taking a stake in AMB. UAP hopes to follow suit by concluding its long running negotiations with Suez, the French industrial group, over a proposed investment in Colonia

The rate of expansion may now slow down, partly because the French insurers have to consolidate their recent investments, and partly because of the change in economic conditions. "Insurance acquisitions are not particularly cheap and they require a long-term approach to investment," says Mr Derek Elias, European insurance analyst at Paribas. "The French tend to be more willing to be long-term investors, certainly more so than their UK competitors. But

there are likely to be fewer international deals in future." At the same time the statecontrolled insurers are about to come under the spotlight in the French government's partial privatisation programme. If the socialists stay in power, the government is expected steadily to reduce its investment in UAP, AGF and GAN, probably through a series of minority stake sales. This programme will probably accelerate if the conservatives return to power in next year's legisla-

Partial privatisation is not expected to make much differ-

ence to the management of the insurers. The government still appoints their chairmen, on a three yearly basis, but other wise relations are fairly distant as Mr Jean Peyrelevade, chairman of UAP, illustrated this summer when he threatened to withdraw cover from the regional blood transfusion centres involved in the controversial HIV blood trial.

UAP maintained it was not obliged to honour its policies as the centres had, without its knowledge, been knowingly using HIV-infected blood in transfusions. The government, already clouded by criticism over the involvement of senior socialists in the trial, insisted that UAP withdraw its threat UAP did so. But the incident demonstrated its determination to operate independently of the state.

However, partial privatisation should eventually free the state-controlled companies from their current financial constraints. At present, they have to finance expansion from their own resources as they are not allowed to tap the markets for funds. Such constraints should diminish in future thereby completing the modernisation of the French insurance industry.

WHENRVER international bankers get together, the fate of Credit Lyonnais, one of the biggest of France's big banks, and Mr Jean Yves Haberer, its enigmatic chairman, is almost always on the agenda, writes

Alice Rawsthorn. These are turbulent times for Crédit Lyonnais. In the past four years Mr Habérer has pursued a relentlessly ambitious strategy of international expansion and aggressive lending. His aim was to turn Crédit Lyonnais from a staid, statecontrolled French bank into a power in the international financial arena.

He may yet succeed. The international investments Mr Haberer made in the late 1980s might have seemed expensive at the time, but they have left Crédit Lyonnais with an impressive European branch network. However, his equally ambitious approach to lending has left his bank uncomfortably close to the top of the creditor list of most of the corporate horror stories of the past year or so. Mr Robert Maxwell, the disgraced British media baron, Olympia & York, erty company, and MGM, the stricken Hollywood movie stu-

Crédit Lyonnais was the

sure this year because of gen-

increase in bad debts," says Mr

Keith Brown, European banking analyst at Morgan Stanley in London. "No-one expects to particularly exciting results for 1992, but, with the possible exception of Crédit Lyonnais, we do not expect to

bear any horror stories." One of the main problems for the French banks is the level of competition within their domestic market. The market has long been competitive, but this problem is now aggravated by the slowdown in the economy and by high real interest rates which have depressed demand for credit from consumers and the corporate sector alike.

"There are 17 commercial banks operating in the French market," says Mr René de la Serre, chief executive of Crédit Commercial de France, a leading bank. "It is possible that, in the long term, the number will be reduced. But in the meantime there will continue

to be strong competition and fierce pressure on margins." Even if Mr de la Serre is right and the number of banks does fall, the banking industry could still face future competi-

tion from new sources such as the post office and the increasingly aggressive French insur-The banks are already reacting to these short and medium

term pressures with long-term programmes of cost-cutting and investment in technology. So far, they have been reasonably successful. Both CCF and Banque Nationale de Paris managed last year to keep the cost increases in their domestic networks below the inflation rate. Société Générale recently unveiled an ambitious plan to shed 2.5 per cent of the staff in its branch network every year for the next three years. thereby reducing its workforce

These overhead initiatives

have been helped by the banks' investment in technology which is not only enabling them to operate more efficiently but also to improve customer service. Mr de la Serre suspects that the banks are only just starting to feel the financial benefits of this

However, in the short term the economic slowdown poses another problem for the French banks because of its impact on the value of their holdings in the property and stock markets, as well as on their corporate loans. The sharp rise in business failures, particularly among small and medium-sized companies, combined with the precarious state of the property sector means that all France's banks, not

just Crédit Lyonnais, will be hit by high provisions this year as the recent results from Paribas and Banque Indosuez illus-The economic slowdown

has created problems that none of the banks can avoid." says Ms Sheila Garrard, banking analyst for Shearson Lehman in London, which recently published a circular entitled Toujours Provisions - A Travellers' Guida to the French Banks. France's investment banks are also exposed to the market downturn as well as being affected by the slowdown in corporate activity. Paribas, which posted its first-ever loss in 1991, is now in the throes of

a cost-cutting programme. However, the longer-term

banks are reasonably bright. Although some French investment banks, notably Paribas, have succeeded in establishing themselves in the international marketplace, most have been constrained by the comparadomestic market, specifically of the Paris stock market.

This should change over the long term. First, French companies which, however noisily they may moan about France's

However noisily they moan, French companies may gain from the strong franc

economic slowdown, have been much more sheltered from recession than their Angio-Sazon competitors, may well take advantage of the strong franc to accelerate their international expansion over the next year or so.

Second, the level of activity prospects for the investment in the Paris stock market

should improve, as government. initiatives, such as privatisation and pension reform, take effect. These initiatives ought to provide more equity for the market and also new sources of investment thereby alleviating its long-term liquidity problem.

It remains to be seen whether the banks themselves will, like their corporate clients, use the strong franc as an opportunity to accelerate their investments in other countries, or whether they will be dissuaded from doing so by concern about the level of their

Crédit Agricole recently signed a partnership agreement with DG Bank of Germany, as did BNP with Dresdner Bank. Crédit Locale de France has diversified into the UK, where both BNP and CCF are also reported to be considering new investments. As for Crédit Lyonnais, Mr Habérer has made it quite clear that he plans to press ahead with its successful European expansion whatever his critics sau.

trolled utility company. .

He is fond of stressing his

lowly origins, mindful of the

accusations of elitism levelled

at his gauche caviar colleagues

in the senior ranks of the

socialist party. The French

media has portrayed him in a

THE FRENCH



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THE MARKET ON THE ME

Profile: Bérégovoy and Sapin SOME acts are impossible to follow. Mr Pierre Bérégovoy in minister may have been one of

them, writes Alice Rawsthorn. Mr Bérégovoy, 66, dubbed by the dealers on the Paris markets as Super-Béré and Béré-la-(*toueur*, in deference to his rigid economic strategy, was finance minister on and off from 1984 until April this year when he succeeded Ms Edith Cresson after her short, ill-starred stint as France's first female prime minister.

The apparently thankless task of taking on Mr Bérego-voy's old role fell to Mr Michel Sapin, 40, then junior justice minister. So far Mr Sanin has done pretty well, if only because, from the very beginning, he made it quite clear that he had absolutely no intention of trying to out-mancouvre Super-Béré.

"One does not succeed Plerre Bérégovoy," he said when he accepted his new job. "One continues where he left oft." The new finance minister, a lawyer by training, has limited his pronouncements on economic policy to Béréesque references on the importance of restraining inflation and pro-

tecting the franc. Meanwhile Mr Bérégovoy clearly has no intention of relinquishing his control over the economy. At the finance

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FINANCIAL TIMES

A hard act

ministry he extended his influence over a wider sphere, by taking on two additional portfolios - trade and industry to create his own super-ministry. But one of his first acts after naming Mr Sapin as his successor was to dissolve the super-ministry. This created three fully-fiedged ministers -Mr Sapin for finance, Mr Dominique Strauss-Kahn for indus-

the budget.
Mr Beregovoy then
announced a cut in certain categories of value-added tax and warned that France was about to breach its target budget deficit. Both statements would usually have come from the finance ministry, not the pre-

try and Mr Michel Charasse for

mier's office.

If Mr Sapin minds, he is too sensible to show it. President Mitterrand has, after all, given Mr Béregovoy virtually a free hand to pursue one of the most rigorous economic policies in Western Europe since the col-

lapse of the socialists' expan-

the early 1980s. The French financial markets have been perfectly content with his rigid approach. Mr Bérégovoy may not have succeeded in persuading the international investment community that France's inflation has been so low for so long that the franc really should be a substitute for the D-Mark, but France has had the benefit of economic stability. As the National Assembly elections approach, economic analysts agree that, whatever the result, it will make little difference to the management of the French

economy. In many respects Mr Bérégovoy is an improbable architect of that strategy. He is the one truly working class member of Mr Mitterrand's cabinet, who began his working life as a milling machine operator, later becoming a railwayman and moving into politics from a post as management assistant at Gaz de France, the state-con-

homely light. One magizine cover showed the bespecticled face of the French prime minis-

ter beaming above workmen's blue overalls, his hands clutching a set of spanners. This is not the stuff that economic strategists are usually made of, particularly in France where most prominent politicians and financiers come from affluent families and can boast a string of degrees from the elite Grandes Ecoles. Mr Sapin conforms to type.

The mild-mannered finance minister was born into an hout bourgeois family in Boulogus and rounded off his education at the snooty Ecole Nationals de l'Administration. Unlike his predecessor, he lad a conven-tional carear in public service before going into politics.

Whatever the differences in their backgrounds, Mr Sapin and Mr Bérégovoy, to the relief of the French financial markets, agree on economic policy. "Our economic strategy is the right one," said Mr Sapin shortly after taking up his new boss's old job. "We have no reason to deviate from it.".

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The waiting gets longer

sharpening its competitive-

ness, the government is deeply

worried that companies have

slashed their investments

plans so heavily that they risk

losing that advantage when the upture arrives. The top 50

groups cut their investments

by 6.7 per cent last year and

will reduce capital spending by 3.8 per cent in 1992, says a

Another concern is the cor-

porate sector's relatively high indebtedness. On average, the top French companies' debt

gearing stands at 70 per cent of

shareholders' funds, while Ger

man gearing is 25 per cent. says the Credit National study.

carried out with its German

Several large French compa-

nies have borrowed heavily to

pay for overseas acquisitions

in recent years. Some of these

takeovers occurred at the peak

of the previous upturn, just

before the recession hit. Miche-

lin's acquisition of Uniroyal

Goodrich, the US tyre maker,

and Saint Gobain's acquisition

The pace of overseas acquisi-tions by the biggest companies

has fallen off sharply since

those big purchases in 1990, so

that the value of foreign take-

overs by the top 50 fell by 24 per cent to FFr80bn last year,

putting an end to four straight

All the same, there have

been some spectacular deals in

the past year. These include the FFr12.8bn purchase by

Schneider, the electrical equipment group, of Square D, its US competitor, one of the few

occasions that a French com-

pany has made a successful

The past year also saw the £300m acquisition of US oil

group Amoco's UK petrol sta-

tion and refining interests by

Elf Aquitaine; the FFr3.8bn

acquisition of the transmission

equipment division of Rockwell

International by Alcatel Aisthom, the telecommunications

group; and hotel operator Accor's FFr2.2bn bid for Wag-

ons Lits, the Franco-Belgian

Equally, France has been on

the receiving end of some big acquisitions in the past 12

months. Overseas bidders have

been helped by the relaxation

investment. Morsover, the advance of liberal economic

and industrial policies in the

Socialist administration has

meant the government has

reduced interference in the

market, with the exception of one or two important issues of

Revealingly, the government did not lift a finger to find a

French solution to the

FFr15.46bn takeover battle

between two foreign companies for Perrier, the mineral water

group, once seen as a sacro-

sanct part of corporate France.

In the end, Nestlé, the Swiss

food multinational, fought Italy's Agnelli family through

the courts to win with a

FFr15.46bn offer. Such an open

and highly publicised bid bat-

tle would have been unlikely

only a few years ago. Daimler-Benz, the German-

cars and aerospace group, was last year given a free hand to

take a large minority stake in Sogeti, the holding company

which controls Cap Gemini

Sogeti, Europe's largest com-

puter services group and one of

France's postwar industrial

successes, with an option to

take full control. Similarly, the

Japanese car group Nissan was

permitted to take control of its French distributor, after a

decade of official resistance to building up a significant stake.

All this points to a liberal political climate for the corpo-

rate sector, even if the eco-

nomic outlook is dull. This lib-

eralism looks set to continue

or accelerate if, as is likely, the

Socialists lose to the conserva-

tives in the next legislative

William Dawkins

elections in March.

industrial policy.

hostile bid in the US.

years of growth.

group, are prime examples.

partner, Industriekreditbank.

study by Credit National.

LIKE many of their European competitors, French companies are tightening their belts as they wait for what has been an unexpectedly long economic slowdown to draw to an end. France's corporate sector is having a lackiustre year, with

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ndustry.

a sad litany of profits declines or missed profits targets, a slowdown in internal investment and in mergers and take-Yet French companies are

better equipped to sit out this difficult period - it is not, technically, a recession - than they were in the last economic slowdown in the early 1980s. They are leaner and fitter after nearly a decade of wage

restraint, low inflation and workforce reductions. Last year, France's top 50 compa-nies made a 2.8 per cent average reduction in their workforces, the biggest cut for many years, with the heaviest iob losses coming from Usinor Sacilor in steel, Air France, Renault and Peugeot in cars, Michelin in tyres, and Bull and

Thomson in electronics. The cost of this economic virtue has been to leave France with one of the highest unemployment rates in the Organi-

The government did not lift a finger in the takeover battle for Perrier

sation of Sconomic Co-operation and Development. The reward has been a gain in French companies' international competitiveness as shown by a rise in French exports' average market share in the 11 other members of the European Community from 9.9 per cent last year to 10.3 per cent in the first eight months of 1992, the highest since the 1960s, according to the Direction des Relations Economiques Extérieures. France's top 50 groups now have an average of nearly 60 per cent of their sales abroad, according to Crédit National, the state-

The problem is that these export gains are fragile for French companies' main export markets. Germany. Italy, the Benefux countries and Luxembourg, are as much

At home, the outlook for domestic demand is just as głosmy. Mr Pierre Bérégovoy, the prime minister, would love to help the corporate sector by kicking the economy back to life with a drop in interest rates. Yet his policy of defend-ing the franc leaves him with no room for manoeuvre to stimulate domestic demand. The crisis on currency markets in recent weeks has underlined how closely French monetary policy is shackled to the high interest rate policy of the

So it is no surprise that French companies have just turned out a series of dreary results for the first half of this year. The construction industry has been especially hard hit, with lower sales in the first half from Fougerolle, and Lafarge Coppée, the cement group, near stagnant turnover from Poliet in cement and Bouygues and Spie Batignolles

in construction.
Other pillars of French industry to have published disappointing news recently include the Rhône-Poulenc chemicals group, with a profits warning for the third quarter; the Renault Véhicules Industriels truck maker with increased first-half losses and a missed profits forecast from Chub Mediterranée, the holiday village operator.

Some, encouragingly, have shown that they have cut costs so bard that they are able to produce a profits increase even on a meagre increase in sales. Michelin, the tyre maker and Valeo, the car components producer are cases in point.

If French industry has responded to the slowdown by

the horizon.

The country has inflation which is low and apparently stable, running at less than 3 per cent a year. The pay-off for this considerable achievement has been a lower rate of industrial wage costs than elsewhere in Europe. This in turn has helped push the trade balance into the black, with a FFr19.35bn surplus in the first

It would therefore seem that France is exceptionally wellplaced for vigorous, non-inflationary, export-led expansion, and that the government's predictions of steady rise in growth - from 1.25 per cent last year to 2.1 per cent this year and 2.6 per cent next year - are entirely credible. But they are not.

The reason is the precarious strength of the franc, in the context of the continued tensions within the European Monetary System and the Community about ratifying the Maastricht treaty. As finance minister and (since March 1992) as prime minister, Mr Pierre Bérégovoy has made it the cardinal point of his eco-nomic policy that the franc should stay shackled to the

of Norton, the US abrasives This policy of the "franc fort" had already borne fruit in lowering inflation and improving French industry's competi-

FRANCE remains very well placed to stage a strong economic recovery. But the political and monetary ructions in France and Europe seem endlessly to push that recovery to

eight months of 1992.

tiveness abroad. And the government showed it had no intention of abandoning the policy when - for several unnerving days in late September - the money market speculators, having forced sterling and lira out of the EMS parity grid and into devaluation, turned their unwelcome attention to the franc. With help from the Bundes-

bank, the franc held its parity with the D-Mark But victory was costly. The Banque de France virtually exhausted its foreign exchange reserves. There is a feeling that speculators are looking for any sign of weakness to resume their attack, So interest rates remain uncomfortably high, with the base rate still almost seven percentage points over that of inflation. The finance ministry has been quite unable to deliver on its earlier hints that if France voted for Maastricht in the September 20 refcrendum, it could expect lower interest rates.

which the government unveiled on September 30, provide any real give on the fiscal side. The budget plan provides for less than a 1 per cent real increase in spending, and only FFr4.5bn in new tax breaks. This represents a considerable

Nor does the 1993 budget,

degree of political self-restraint, given the fact that the deeply unpopular Socialist government faces a parliamentary election in six months. As a result, the deficit is set to rise to FFr165bn next year, from an

estimated FFr135bn this year. Yet, even at this level, the 1993 budget deficit would only represent about 2.2 per cent of gross domestic product, a ratio

is now pushing Britain, and eventually Denmark, to ratify the treaty. If the franc were now forced into a devaluation against the which most other European D-Mark, this would risk stri-

Why economic recovery remains endlessly on the horizon

The Achilles franc

There is a feeling that speculators are looking for any sign of weakness to resume their attack. So interest rates remain uncomfortably high while the budget plan provides for less than a 1 per cent real increase in spending

countries would envy. Is the government courting electoral suicide with continued austerity? Probably, but most Socialists accept they are doomed to defeat in next March's legislative elections. An October 1 opinion poll, coming the day after the presentation of the budget, showed 44 per cent support for the two main opposition parties - the RPR and the UDF and only 20 per cent for the

Socialists The most obvious reason why the government persists

king the heart out of the EMS and proving all Maastricht's sceptics and opponents right in their contention that Europe is not ready to move to economic

in flagellating the French econ-

omy with tight monetary and

fiscal policies is that to do any-

thing else risks the entire col-

lapse of its European policy.

With the trauma of the Maas-

tricht referendum behind it, it

and monetary union.

But there are domestic political motives for the government to stick to its policies of fiscal and monetary orthodoxy. Certainly, these have helped create the one real black spot in the French economy - the nearly 3m unemployed which give France one of the highest jobless rates in Europe. But the government seems to have

become almost inured to the unemployment rate as something which only long-term training programmes, rather than quick-fix pump-priming measures, can improve. In any case, the party theoretically best placed to exploit unemployment - the Communists is a spent force.

The latter's concern is overwhelmingly with the centreright opposition, which has been left largely without any distinctive economic policy to propose since the Socialists stole the middle ground in the mid-1980s. The opposition has attacked the government's 1993 budget plans for letting the deficit spiral upwards, for giving too loose a rein to spending, for making investment and wage commitments for which the full bill will only become evident in the late 1990s, but also for not giving enough tax breaks to the middle classes. Some of these criti-

cisms are contradictory. The opposition, of course, claims to have an alternative programme. As Mr Alain Juppe, secretary general of the RPR, explains, this would involve a substantial privatisation drive, bringing to the state coffers some FFr200bn over three years, some of which would be redirected to ease the

capital needs of companies still left in the state sector and the rest used to finance tax concessions. General spending would be allowed to rise no higher than the inflation rate, partly by putting to more efficient use the large amounts of money that the Socialists have directed into sectors like education.

But there is no reason to suppose France's probable next government, that of the centre right, will not face the same fundamental constraints - the need to keep the franc and France at the forefront of the move towards monetary union - as the Socialists, or that it will act with any less monetary and fiscal rigour than Mr Béré-

govoy's government. There are few French politicians who believe the country can afford the luxury of a more flexible exchange and interest rate policy of the kind that Britain is now indulging in. Mr Philippe Seguin, a former RPR minister, for instance, has argued for more frequent realignments within the EMS. and by implication a devalua tion of the franc, while Mr Jean-Pierre Chevenement, a former Socialist minister, suggests that the only way France can regain its economic free-dom of manoeuvre is to quit the EMS altogether. But both men were leaders of the No to Maastricht campaign, and in losing the referendum, they effectively lost their argument

David Buchan

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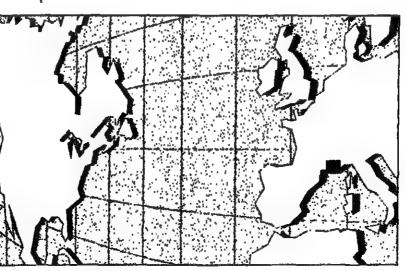
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The state of the s



Alice Rawsthorn profiles five influential figures in the business world

Contacts help men at the top

JEAN PEYRELEVADE. The chairman of Union des Assurances de Paris, France's largest insurance group, Mr Peyrele-vade has impeccable political contacts reaching to the top of the ruling socialist party.

The son of a Marseilles school teacher, he began his political career in the private office of Mr Pierre Mauroy, the first prime minister of the Mitterrand era. He was rewarded with the chairmanship of Suez, only to be booted out in 1986 when the socialists lost power to the conservatives. Two years later he returned to the financial mainstream with the top Job at UAP.

But Mr Peyrelevade is far from being a tame political appointee. He emphasised his independence this summer when UAP threatened to refuse to honour insurance policies for transfusion centres that had been distributing infected blood, thereby adding to the government's embarrassment over the HIV blood trial.

JEAN-FRANÇOIS Théodore is

a confident man. The president

of the Societé des Bourses

Françaises leans back in one of

the black leather chairs in his

rue Cambon office and oozes

optimism about the prospects

"Everything is in place," he

says. "The necessary reforms

have been made. We have one

of the world's most sophisti-

cated computer systems. There is legislation in the pipeline -

more business to the market

The same confidence is

and we're ready for it."

for the French stock market.

Described as "cold", "calculat-ing" and "cunning", Mr Haberer, 59, is the most controversial figure in French finance. In his four years as chairman of Crédit Lyonnais, he has steered the bank towards an audacious strategy that has provoked grudging admiration from some observers and ill-disguised alarm

At one stage, it seemed as though his audacity might cost him his job in this summer's review of the heads of state companies. But the appointment of Mr Pierre Béregovoy, a political friend, as prime minister put paid to that, though Mr Habérer has since pursued a more moderate strategy.

His critics are now biding their time until the next general elections. If the Beregovoy's socialists win, Mr Habérer will probably stay. But if Mr Jacques Chirac's conservatives return to power, he might find himself out of a job.

JEAN YVES HABERER. CLAUDE BEBEAR. "For years no-one wanted to work in insurance, it was too boring." says one French financier. "Now that's changed and it's all thanks to Claude Bébéar.

Mr Bébéar, 57, worked his way up from a provincial bourgeois background to become chairman of Axa, the biggest private sector insurance group. and one of the very few truly populist figures in French

He has proved that insurance can be fun by staging a series of takeover bids. After battling against Bouygues, the powerful construction group, over the Drouot insurance company, he won control of Equitable Life, a big player in US insurance, thereby turning Axa into a significant force in the international arena.

A close associate of former president Valéry Giscard d'Estaing, he is the founder of the Enterprise et Cité club, which includes many of France's dynamic industrialists.

became chairman of Suez in 1990, Mr Worms'chief challenge was to declare it independent from its main investor, Union

des Assurances de Paris. This task appeared to be difficult. Not only was Suez still struggling to digest Société Générale de Belgique after its acquisition in 1989, but Mr Jean Peyrelevade, UAP's charismatic chairman, had been one of Mr Worms' predecessors in the Suez chair.

Luckily for Mr Worms, 56, he has had an ideal opportunity to demonstrate his autonomy during the negotiations over UAP's minority stake in Victoire, a French insurance company under Suez control.

Mr Peyrelevade hopes to

swap all or part of UAP's stake for a 50 per cent share of Colonia, a German insurer. So far his hopes have been dashed. UAP is in a weak negotiating position - a situation that Mr Worms has not been slow to exploit.

RENE THOMAS. One of the golden rules of French industry is that no state-appointed company chairmen should stay in their jobs over the age of 85. Yet Mr René Thomas, 63,

chairman of Banque Nationale de Paris, the biggest French bank, will break the golden rule by reaching the official in theory, he should have government cast around for a successor, but there were no

suitable candidates. And Mr

men of a state-controlled bank

to have hung on to his job during cohabitation.

Thomas, who has spent most of his career at BNP, is so uncontroversial that there was no reason for him to go. Mr Thomas has strengthened his links with the left (his wife works for President Mitterrand) while also nurturing new contacts on the right, thereby

retirement age during his current three-year term of office. retired this summer at the end of his last three-year term. The

becoming one of the few chair-

ket. Crédit Lyonnais, for one, was a heavy lender to Heron and Mountleigh. It was also a big creditor of Olympia & York, the stricken Canadian property group behind the

French banks in London

Lure of the City

STRUGGLING in the recession but still determined to be sig-nificant players, France's big banks are having another difficult year in the City of London.

The French are busily reducing staff and cutting costs in their UK subsidiaries, which are often at the heart of the international operations. Having increased their London presence on a grand scale in the 1980s, French banks now share the predicament of the rest of the British financial sector. If most think 1992 will not be too had, it is only by comparison with previous years.

The French were hard hit by corporate collapses such as British & Commonwealth, Polly Peck and Brent Walker. Last year, the Maxwell saga proved expensive for Credit Lyonnais, Banque Nationale de Paris, Credit Agricole and Société Générale. French banks came second only to the British in the list of Maxwell

So far, 1992 has been quieter, but that does not mean results will be much better at the end of the year. "Twelve months ago we believed that all the firms which would collapse had already done so," says one French banker in London. "We were wrong. Some companies that were relatively strong in

1991 are now far weaker."
One problem is the precarious state of the property marCanary Wharf development, but this business was not booked in London. In the leisure industry. Mowat's demise hit Banque Indosuez

Some French banks such as BNP, Paribas and Société Generale expect to make a profit. albeit a modest one, in 1992. Others, like Credit Lyonnais, say they will still be in the red.

Unsurprisingly, the banks management. The days of generous lending are over. "We do not want to develop relationships with customers based only on credit," says Mr Denis Antoine, head of Paribas in London. "It must be part of a broader package, together with other financial products such

Management rigour often implies cost-cutting. BNP will employ 300 people in the UK by the end of the year, down from 350 a year ago and from 460 four years previously. Indosuez now has 205 staff, against 330 three years ago.

Another common character-istic of rationalisation is a move towards better co-ordination between the banks' traditional branches and their financial market subsidiaries. Banque Paribas and Paribas Capital Markets will be housed under the same roof by December. At Société Générale, Mr Patrick Pagni, the new chief executive of the branch, was previously in charge of the brokerage subsidiary, Société Gén-

érale Strauss Turnbull. Trying to make the most of huge bad debts is viewed as important. "This group has to take an active role in creditors' committees, saying 'We want our money back,' just like Margaret Thatcher with the European Community," says Mr Olivier Mas, chief executive of Crédit Lyonnais in London.

The scenario is not entirely

gloomy. Most French bankers in London are trying to invest and develop some activities Many, such as BNP, put the emphasis on what they see as the strongest market in the City of London: treasury and foreign exchange operations.

Similarly, Société Générale wants to focus on large and medium-sized companies with international operations.

Paribas wants to develop its corporate UK client base. "Until recently we were using London as an international financial centre and neglecting the domestic side," says Mr Denis Antoine. "We would like now to be seen more as a British bank."

Crédit Lyonnais is more mbitious than its compatriots In the past two years it has opened 10 branches throughout Britain, aimed at middle-size companies, and more are to come. "The next step is retail banking," says Mr Mas. "We would need several dozen branches by 1995."

The only French bank in Britain with an expanding staff, Credit Lyonnals employed 420 in 1990 and has 500 staff today, with 550 forecast for the end of next year.

Yet other French banks are emerging in London. Crédit Locale de France has joined forces with Municipal Mutual Crédit Commercial de France is said to be looking at Charterhouse, the merchant bank put up for sale by Royal Bank of Scotland. Next year BNP may raise its 4.5 per cent stake in Kleinwort Benson, in association with Dresdner Bank.

मेल पश्चा

For all its present difficul-ties, the City of London is still a place where France's big banks feel they ought to be.

Patrick de Jacquelot Landon correspondent, Les Echos

Prospects for the stock market

Tomorrow will be better

voiced by almost everyone associated with the French stock markets. All are convinced that, over the long term, the gradual privatisation of France's big state-controlled privatisation and pension reform – which will bring companies, coupled with the creation of a new breed of private pension funds, will stimulate the investment sector.

This rosy scenario is rather

different from the present picture. In the 1980s the French stock markets underwent a period of radical reform in an attempt to prepare them for life in the intensely competi-

tive markets of the 1990s. The reforms may have succeeded in modernising the mechanics of the Paris markets. They also created the suc-

cessful MATIF futures market which is now one of the largest worldwide. But many of the stock markets' traditional problems persist. The new rules on block trading, transactions in large amounts of shares, are so tight that Paris has continued to lose business to London. Moreover Paris still suffers from its old problem of

The French government's influence over industry, which means that 20 per cent of output comes from state-controlled companies, has created a dearth of equity. This prob-

lem has been aggravated by the anachronistic ownership structure of France's private sector companies, where large chunks of stock are held by friendly banks and "sweetheart" shareholders. The state's stranglehold over

per cent of the Paris stock market, compared with 60 per cent shortage of investment. This lack of liquidity has

also contributed to the financial problems of the Paris stockbrokers. The 55 French broking firms made collective losses of FPr600m in 1991, according to the Association Française des Sociétés de la Bourse, a slight improvement on their combined deficit of Fermion in 1990.

This scenario has already catalysed a rash of cost cutting. There were 480 job losses across French broking last year, according to the AFSB, with the workforce shrinking from 5,340 to 4,360. Most practi-tioners maintain that there are still too many companies chas-

ing too little business. Mr Théodore is convinced that the industry has reached the bottom of the cycle and that conditions can now only improve. "It's just not true that there are too many players on the Paris market," he said. Paris and 580 in New York, but the New York market is only 10 times bigger than Paris."

The global securities groups seem to agree. In recent months a number of international names have opened or extended their banking or broking operations in Paris, including Kleinwort Benson and Baring Brothers of the UK. Morgan Stanley of the US and Japan's Nomura.

These companies are pinning their hopes on the long-term prospects for the Paris market. One reason for their confidence is the sustained support of France's socialist government. Throughout the 1980s the government, spearheaded by Mr Bérégovoy, squashed every stereotype about socialist opposition to the investment sector sation of the Paris markets.

as supportive as the brokers wished is in its failure to abolish the bourse tax on share transactions which, they claim, puts them at a major disadvantage to London, particularly for large transactions. The problock trading has been put on

ice until its abolition. However, the markets are really much more interested in the prospect of privatisation and pension reform which, ate after the elections, whichever political party wins.

"The Paris stock market has already made a lot of progress," says Mr Jean Saint-Geours, president of the Commission des Opérations de tional as London, but it has the potential to become one of the main European markets as part of a network with Frankfurt, Milan and Madrid."

Alice Rawsthorn

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WHIGHS AND WS FOR 1992

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LONDON STOCK EXCHANGE

Equities rally after uncertain start

By Stave Thompson

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A FIRM opening by Wall Street came to the rescue of a London market suffering from an acute bout of inactivity as the chanendured a detailed examina- reaction to news that the tion of his economic policy by the House of Commons Trea-

sury committee. Market strategists ascribed a to Kuwait. late strong run by London's equity market to a squeeze on short positions and to an unexpectedly firm opening by Wall Street after the three candidates in the race to the White house met in a televised debate.

Some market commentators in London remained convinced that moves to lower interest rates in Germany and the US may take place later this week. There was more uncertainty, however, over the timing of another cut in UK interest

The equity market opened on a depressed note, with dealers demoralised by two bleak sura depressed note, with dealers demoralised by two bleak surveys of the UK's financial services and manufacturing by foot performance by Wall Street, which closed at its low-based services. Street, which closed at its low-

est level this year. Sentiment was also unsettled by a series of worrying corporate stories. Lucas Industries. the electrical and engineering the components manufacturer.

delivered the expected steep fall in profits along with a programme of restructuring involving asset sales and heavy job losses.

Vickers was also highlighted group had lost out to the US in its attempt to win a £1bn order to supply its Challenger tanks

retreated to show a 10 pointplus fall within 30 minutes. A good rally, said to have been triggered by aggressive buying cellor of the exchequer as its shares plummeted in of the Footsie Puture, soon developed, however, and the index was in positive territory

shortly after 10am. There was then very little genuine business in the mar-

TRADING VOLUME IN MAJOR STOCKS

Volume Glosing Day's

Opening five points down at kets until Wall Street began 2,535.6, the Footsie quickly trading and the UK chancellor faced the Commons Treasury committee. Wall Street was quickly into its stride and showing a gain of 30 points following reports that Mr Alan Greenspan, chairman of the US Federal Reserve, refused to rule out further cuts in the discount rate ahead of the Novem-

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sist in London that the Bundesbank will soon sanction another reduction in German interest rates, although a cut this week is viewed as unlikely by one leading UK securities

The interrogation of Mr Lamont by the House of Commons Committee was seen as an anti-climax by market observber 3 election. And hopes perers. "Nothing unexpected," said the top trader at a leading UK securities house, while another said the examination had been "overhyped" by the

> By the close of business the Footsie was 16.0 points higher at 2,557.2. The rise was not, however, accompanied by any surge in demand; turnover was a paltry 305.6m shares, the low-

est since early September. The two new FT-SE indices made their official market debuts. The Footsie Mid index of 250 stocks closed 10.1 higher at 2,403.0 and the Footsie 350, comprising the Footsie 100 plus the Mid 250 index, moved up

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Option Declaration Oct 15	Oct 29	Nov 12
Lust Dealings: Oct 16	Oct 30	M(+ 13
Account Day: Oct 26	Nov B	Nov 23

Price war worries hit Bass

A DOWNGRADE and bearish comment from broker Nomura knocked Bass, shares in the brewery group retreating 14 to 5480 on heavy turnover of 1.7m Nomura lopped £35m from its full-year forecast to £495m and warned that the brewing industry was on the verge of a damaging price war as the leading protagonists sought to protect market

share.

Analyst Mr Ron Littleboy believes the cost of such a policy will mean that Bass will have to make further exceptional charges of £25m above, the £50m already pencilled into most City forecasts. He said: it will do everything needed to maintain its position in a shrinking drinks market. We have the makings of an extreme price war between the big five, with no one prepared to lose market share." He added that he expected the volatile situation to last into the medium term, keeping selected brewery shares under pressure, in particular Scottish

and Newcastle, off 6 yesterday

Lucas volatile

Shares in aerospace and automotive components group Lucas Industries had a volatile session in heavy turnover of 8.4m, making one of the day's most heavily traded stocks. The shares jumped 10 to 100p early in the day, with the market relieved by a maintained final dividend of 4.9p against earlier fears of a cut, and profits of £22.5m (£82.8m) ahead of the predicted figure of £20m. The market was also pleased with restructuring plans at the

company. Lucas said it hoped to report a covered maintained dividend for the current year, although Mr Sandy Morris at County

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (225)
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SHITESH PURIDE (2) Fd 80c 83, Treas 9pc
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company yesterday to a defence meeting. Profit-takers moved in during the afternoon, causing the shares to surrender some earlier gains. They closed 4 up at 94p, on high turnover of 6.4m. Rank reversal Adverse press comment and

NatWest warned: "It is going

European car market, so I still

think the dividend is at risk."

He predicted full-year profits

Goldschmidt at Charterhouse

Tilney was "on balance more

optimistic" on the outlook for

the company and predicted

current-year profits of £60m.

surrounding Lucas continued

to circulate and some analysts

likened their meeting with the

Recent bid speculation

to be another difficult year,

mainly due to the weak

of £41.5m. Mr John

rumours of further disposals sent Rank Organisation tumbling, although turnover was below average. The press comment reiterated market nervoueness over Rank's large debt and brought back whispers of the possibility of a rights issue. There were also strong suggestions that Rank had but its Odeon cinema chain and film distribution company up for sale. Bears in the market described the alleged move as a fire sale brought about by Rank's inability to sell its hotel chain, which has been on the market for several months.

Ms Lisa Gordon at County NatWest said: "This just points to the plight of the company in having to try and sell its way out of debt. The problem for Rank is that there are no buyers." However, Mr Peter Hilliar at BZW was more supportive of the stock, arguing that there had been no new trading news on Rank and that the bearish sentiment had been overdone. The shares

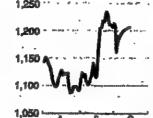
fell 14 to 507p. Shares in defence and motor cars group Vickers tumbled on news that it had lost out on a \$1bn Kuwaiti order for its Challenger 2 tank to General Dynamics of the US. The shares gave up 7 to 83p

in early trading on the news and steadied mid-session before again retreating, with turnover reaching 1.2m by the close. The news was not a surprise to the City as reports of the tank's underperformance in recent trials in the Middle East have been circulating, and have been a factor in underperformance of the stock.

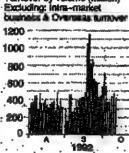
Lasmo received a push from consideration of a Hoare Govett re-evaluation. Hoare has published a note arguing for an average sterling exchange rate of \$1.56 next year. The house says that, on that figure, Lasmo would have an asset value of 185p per share and be at a 20 per cent yield premium to the market on a maintained dividend covered by earnings. Lasmo

firmed 21/4 to 167p. Shares in Kwik Save leapt 19 to 693p on hopeful speculation that the recent

FT-A All-Share Index



Equity Shares Traded Turnover by volume (million)



interest by Hongkong Land in Trafalgar House might rub off on the supermarket group. Jardine Matheson, which has a 33 per cent stake in Hongkong Land, also has a large share in Dairy Farm, which in turn holds some 25 per cent in Kwik Save. Early talk had Dairy Farm increasing

its stake to the allowable limit of 29.9 per cent. Lloyds Bank showed signs of slippage as the market absorbed a sell recommendation from Carr Kitcat & Aitken. The house argued that the shares were overvalued and on "a higher

rating than its competitors, which is not justified by its performance. We estimate this overvaluation to be of the order of £1 a share." Lloyds closed 4 firmer at 450p. TV group Carlton Communications performed well with the help of a buy

recommendation from S.G. Warburg Securities. Carlton rose 8 to 668p. Interest ahead of interim figures today, and a buy recommendation, saw Mirror Group jump 7 to 65p. There is a broad consensus among financial analysts who predict profits of between £8m and £18m. However, there is a general feeling that, because

of the lack of credibility surrounding the former

publisher, Mr Robert Maxwell, estimates were lower than James Capel is looking for £13m and has put the stock

firmly back on its buy list. Bathroom supplier Spring Ram saw beavy turnover as one house traded blocks of 3.4m and 4.3m shares at 128p and 129p respectively. The shares eased 3 to 129p on turnover of nearly 9m, the beaviest in the London market.

Caution surrounding a health conference in California was said to have contributed to weakness in Wellcome. which fell 9 to 963p. The anti-infectives conference is today expected to discuss prospects for 3TC, an Aids drug being developed for rival Glaxo. Glaxo hopes 3TC will emerge from clinical trials as the first commercially

Changes to indices Two new indices in the FT-RE Actuaries Share Indices are published in today's PT. The new indices are:

successful alternative to.

Velicome's Retrovir.

 The FT-SE Mid 250, covering the 250 companies that rank below the FT-SE 100 in market capitalisation. • The FT-SE Actuaries 350, the top 350 UK shares (the FT-SE 100 plus the FT-SE Mid 250). Industry baskets based on these 350 stocks are calculated in real time throughout the day. The sector the FT-Actuaries All-Share

index. The FT's display of indices changes as a result. At the top right-hand corner of this page, a new table brings together all the UK components of the FT-SE Actuaries Share Indices: the FT-SE 100, the FT-SE Mid 250. the FT-SE Actuaries 350, the FT-Actuaries All-Share index, and some of the PT-SE Actuaries 350 Industry

Other UK equity market indicators - including the FT Ordinary Share Index, the FT Gold Mines index and the London Stock Exchange volume statistics - can be found in a new table that appears towards the bottom of this page. Both the FT-SE Eurotrack 100 and 200 indices will

appear from today on the FINANCIAL TIMES EQUITY INDICES Ventr Det 12 Det 9 Det 16 Det 7 Det 8 appr High Law

1878.5 1865.2 1670.4 1847.3 1814.2 1973.5 2746.7 1670.0 4.76 4.78 4.78 4.82 4.89 4.73 5.34 4.24 6.80 6.94 7.01 7.10 7.45 18.27 18.26 18.06 17.85 18.76 20.84 16.93 16.77 18.55 15.91 1.91 18.77 79.7 89.4 78.6 6.94 16.83 18.08 65.0 18 Ordinary share
Ord. div. yield
Earning yiel & full
P/E ratio net
P/E ratio nil
Gold Minus "for 1932 Ordinary share index elince compilation; high 2149.7 22/5/92 - for 49.4 25/4 Gold Mines Index elince compilation high, 734.7 13/2/93 - for 49.5 25/1971 Basic Ordinary chare 1/7/35, Gold Mines 12/9/35

BURN TRANS 11,000 12,000 13,000 14,000 15,000 18,000 18,000 Layer 1866.3 1864.5 1872.4 1899.0 1874.2 1899.2 4870.1 1871.6 1879.4 1690.1 1603.7 Clos 6 Year ago Oct 9 Oct 8 017 20,580 873,9 23,103 407,8 SEAD Bargains Equity Temocran(Empt Equity Bargains) Shares traded (mil) † Excluding Intra-ma 11,147 1066.7 21,124 471.7 18,571 1050.5 20,880 20,648 811.5 22,546 389.2 910-89 21,362 17,739

London report and latest Share Index Tel. 0891 123001. Calls charged at 38p/minute cheap rate. 48p at all other times

EQUITY FUTURES AND OPTIONS TRADING

had one of its quietest days in recent sessions with very poor turnover and little in the way. of features to prise dealers away from the sidelines, writes Joel Kibazo.

In stock index futures, the first trade in the December contract on the FT-SE was struck at a poor 2,568. Sporadic buying, mainly of sideways trading.

·. · ·

THE DERIVATIVES market from independent traders known as "locals", on the back of speculation of a cut in interest rates sent December gently forward so that by 10.45 the contract had reached 2,595 in very light trading. However, that talk faded

over the lunch time period

leaving the contract to decline

afternoon, gaining momentum on the back of a strong Wall Street and strength in other European markets which sent the contract to the day's high of 2,610 just before the market close. Following some profittaking, December closed at 2,604, around 14 points above its estimated fair value preand then languish with a bout

December picked up in the Turnover was very thin reaching a meagre 5,604 contracts. Traded options business was even more dull with volume reaching only 17,500 contracts with the FT-SE 100 option accounting for a mere 5,396 of

the day's total. Asda was the most actively dealt stock option at 4,712 contracts and was followed by mium to cash of about 32. British Steel at 1,000 lots.

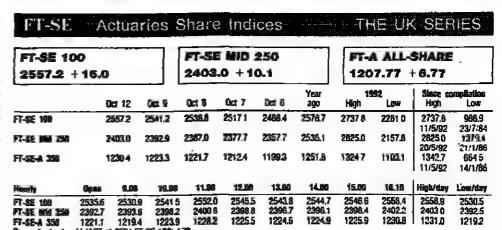
World Stock Markets page Fixed-interest data including the FT-Actuaries Fixed Interest Indices, FT Government Securities Index FT Fixed Interest Index and PT Index of Gilt-Edged Bargains - can be found on the capital markets page, next to the Liffe equity options

 3-month call rates" will on Saturdays. The table summarising the previous day's traditional options business will continue to appear daily, as before.

table. The table on the page headed "Traditional options appear in future once a week.

MARKET REPORTERS: Joel Kibazo Peter John Christopher Price.

Other market statistics.



Monday October 12 1992

FT-Actuaries All-Share

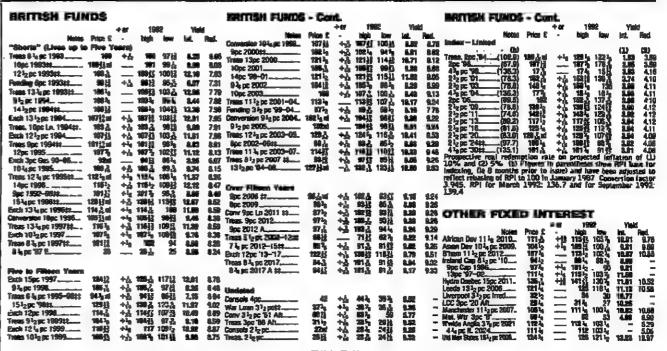
EQUITY GROUPS

& SUB-SECTIONS

Fi	gures in parentheses show number of stocks per section	index No	Day's Change	Earnings Yield% (Mari)	Yield%	P/E Ratio (Net)	xi adj. 1992 to date	lindex Mo	Index Ma.	Indea Mo.	Index No
1		742.61	-01	7 66	5.88	17 01	27 44	743.34	743 62	741 46	825.59
2	Building Materials (23)		+0.B	7.79	8.11	18.15	34.67	666 78	680.57		1004.25
3		581 07	-16	3.63	8.56	178.94	32 23	590 A1	606 48		1081.95
	Electricals (9)	2052.58 2080.24	-0.1 -0.7	H.14 7 B4	7 33	16.23 16.05	85 80 47 93	2054 83 2095.14	2042 75 2080 91		2563 31 1748 %
2	Electronics (27)		. +0.9	12 72	4.10 B 23	9 98	13 53	281.04	200.17	276.95	361 01
9	Engineering-Aerospace cor		-1.2	7.10	5.29	14.03	15.00	449.80	450 14	448.18	489 42
ı,	Metals and Metal Forming (7)		-0.8	362	7.08	25 87	7.52	311 71	307.63	304 58	
- A			+0.9	6.61	8.11	22.62	14 79	288.55	289.23	291.01	343 01
	Other Industrials (19)	1735 24	÷0.2	7.20	4.80	16 79	59.29	1731.16		1720.29	
21	CONSTIMED GROUP (191)	1594.04	10.5	1.3	3 62	17.13	34.19	1507.31	1586 91		1539.13
22	Brewers and Distillers (25)	1900.86	-0.6	8.76	3 88	13.76	41 43	1912.11	1908 64	158.52	
25	Fond Manufacturing (19)	1207.59	+1.0	8.87	4.38	13 93	28.04	1195 70	1201 79	1201.69	120I 80
26	Food Retailing (18),	2796.88	+1.2	8.92	3.31	14.54	53 95	2763.35	2728.78	2677.47	2463.06
27	Realth and Household (26)	4153.00	42402,	5.31	2.56	21.86	70.35	4152 75	4158.91		3697.32
29		1059 49	40.5	7.42	6,44	17 74	45.99	1054 37		1058 67	
	Media (26)		+0.6	6.17	3.29	20 21	35.10	1590 62		1590.32	
	Packaging, Paper & Printing (17)		+1.0	7.07	4.52	17.60	22.00	710 芝	717 35	721 26	757.46
34		1026.53	+13	6.94	3,53	19.1B	19.14	1913 71	1009.60	1004 03	992.07
35	Textiles (9)	643.58	-05	7.15	4.63	17.59	16.65	664 93	670 34	668.50	619 11
		1283.84	+0 9	9.72	5.21	12.87	40.44		1267 72	1258.93	
41		1333.98	+0.4	6.63	3.81	18 47	25.69	1328.07	1312 43	1320 19	
42	Chemicals (22)	1333.37	+0.4	7.35	5.44	16.88		1328.72 1256.30	1299.95	1318 50 1239.83	
43	Conglomerates (10)	1250.57	+10	9.09	8.67	14 09. 15 14		1230.50 2459.47		1239.85 17(2).61	
44	Transport (14)	24/3.52	+0.6	14.48	4.76	8.90	70.54 55.01	1411 65		1390 43	
42	Telephone Networks(4)	1445.50	+14	10.31	5.11 4.51	12.64			1411.36	1423.16	
	Water(11)	2896.09	+0.4	15.44	5.98	7 17	86.85	2885.98	2871.51		
48		2148 38	+0.4	6.14	4.69	20.43		2139 54	2157 17	2146 59	
		1281 40	+0.5	B.12	4.55	15.44	35.07	1275.17	1271 50		
$\overline{}$		2031 81				19 74	85.40	2013.36	2019.42		
			+0.9	6.64	6.38					2009 44	
		1351.41	+0.5	7.97	4.74	15.79	39 07		1343.09		-
61	FINANCIAL GROUP (83)	755.97	+0.8	- 1	5.84	-	30.17	749 74	747.37	741.63	804.13
62	Banks (9)	1034.80	+1.5	5.01	5.38	29.98		1019 72	1016.63	1004.25	
	Insurance (Life) (6),		-0.2	- 1	5.67	-	67.14	150.2	1539 04		1476.89
66	Insurance (Composite) (7)	529.14	+0.5	- [5.69	- 1	18.45	526.31	524.93	526.42	613.62
67	Insurance (Brokers) (10)	713.23	-0.5	10.04	7.88	13.09	42.23	717.05	698.66		1127.16
	Merchant Banks (7)		-0.1	-	4.81		13.71	464.04	465.27	457.02	466.50
	Property (30)	540.12	+0.1	10.44	8.20	12.72	22.76	539.74	541.38	539.30	919.76
	Other Financial (14)			8.27	6.90	15.89	9 35	241 77	241.57	239 93	258.91
	Investment Trusts (70)		+0.2		3.91	-		1145.62		1133.30	
99	ALL-SHARE INDEX (653)	1207.77	+0.6	- 1	4.86	- 1	36.41	1201.00	1199.54	1190.67	1241.30

FT-SE	Actuarles		350	Industry		Baskets					Previous	
House	Open	9.00	16.60	11.00	12.69	13.00	14.00	15.80	16.10	Close	close	change
Constress Houlth & N Water	1144.5 1251.9 1183.5	1148.9	1149.3 1257.7 1197.6	1146.0 1263.2 1197.6	1146.0 1259.7 1196.2	1146.0 1250.0	1145.5 1258.5	1145.5 1256.1	1145.8 1256.8	1145.8 1250.7 1197.0	1168.2 1256,3 1192.9	+0.4
Banks Additional to	1238.8		1237.2	1247.2	1242.6	1196.1 1240.9	1196.2 1242.5	1197.5 1243.0	11 97.2 1 257.2	1255.6	1238.8	+ 4.1 + 16.8

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DM tensions may not be over

An 11 basis point drop in the

December Euromark futures

contract signalled a revision away from the thinking that the Bundesbank will cut rates

at its council meeting on

over-optimistic about the prospects for a cut at the last Bund-esbank council meeting, and

people are still divided over

is responding to the recession. Mr Ian Beauchamp, chief

economist at Hambros Bank in

London, believes that a Ger-

man rate cut will come soon

and that there will be 7 per

cent interest rates in Germany

by the end of 1993. Mr Steve

Hannah, chief economist at the

International Bank of Japan in London, is more cautious. "The

market is too far ahead of the Bundesbank," he said.

how the German central bank

Thursday. The market was

THE DOLLAR closed weaker against the D-Mark at the end of European trading yesterday, as dealers digested Mr Alan Greenspan's weekend comments expressing concern at the lack of economic growth in the US, writes James Blitz.

At the end of last week, analysts asserted that the 6.5 percentage point differential between US and German interest rates had widened to its fullest extent, and that the heavy investment in D-Marks might subside. The dollar was well supported on that view.

Yesterday, despite a quiet day in the markets because of the Columbus Day vacation in the US, there were signs that an easing in the differential is not imminent. The chairman of the US Federal Reserve said that no US monetary policy ini-tiative could be ruled out, and the dollar fell in Monday's Asian trading to DM1.4610. In Europe, it regained its poise, but closed 1% pfennigs down on the previous close at

ůci. 12	Close	Premous Close
Spot	1.7055-1 7070	1.6930-1.693
Lewenth	KIA	0 16-0 160
Importer	H/A	2-32-2 290
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	LING IN	
	0ct.12	Previous
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CURREN	CY MOVE	MENTS
Oct. 12	Bank of England index	Morgas** Guaranty Changes *6
Sterling If 5 Boller Chrisches Dollar Austrian Schilling Belgian Franc Danish Krone D-Mark Serbs Franc Detts Guilder Franc Lim Penese	114.4 116.1 115.1 125.5	-861 -661 -655 +656 +600 +827 -755 -765 -765 -863

Morgan Startmiy changes: average 1990-1982-100, Bank of England lodes (Base America) 1985-1001 Piloton are for Oct 9

OTHE	R CURRE	NCIES
Oct 12	£	S
Argentinu Australia Brazil	1403 - 1405 23610 - 23630 11502 5 - 11509 5	0.9900 - 0.9910 1.3875 - 1.3885 6821 10 - 6821 30
Finland		4.6800 - 4.6900 187.870 - 191.630 7.7315 - 7.7325
korealSkia . KorealSkia .	2427 00° 1384 05 - 1347 45 0 50100 - 0 50200	1435 00° 71\ 60 + 127 50 0 29460 - 0 29490
Licembourg Malaysia Mexico	51.70 - 51.80 4.5490 - 4.2630	25035 - 25045 311350 - 311450
h Zustard Saudi Ar Siggagore	31330 · 31400 63555 · 6.4885 27270 · 27390	18430 - 18470 37495 - 3.7505 16080 - 16100
S.Al (Cm)	4.00E - 4.8650	2.8660 - 2.8660

Oct 12	1	S
Argentinu Australia	1.403 - 1.605 2.3610 - 2.3630	U.9939 - 0.9933 1.3875 - 1.3885
Finland	7.9265 - 8.0210	6821 10 - 6821 30 4.6800 - 4 6900
Greeze Hong Kany . Irac	130,756 - 127,200 13,1470 - 13,1675 2427,00°	187 870 - 191 630 7 7315 - 7,7325 1435 00°
Korea(Sch) . Kuwait	1334 05 - 1347 45 0.50100 - 0.50200	701 60 - 187 50 0.29460 - 0.29490
Liptembourg Malaysia Mexico	51.70 - 51.80 4.3490 - 4.2630 5098.50 - 5110.00	2.5035 - 2.5045 3113.50 - 3114.50
A Zustard Saudi Ar	3.1330 - 3.1400 6.3555 - 6.4885	18430 - 18470 3 7495 - 17505
Singapore	2.7270 - 2.7390 43865 - 4.8650	1.6080 - 1.6100 2.8660 - 2.8680
S.Al (Fri) Taiwan U.A.E.	7 4240 - 7,4725 42,85 - 43,00 4,2290 - 6,3950	4 3670 · 4 3955 25.30 · 25.30 3 6715 · 3.6735
Plostina ref		

MONEY MARKETS

cut in UK base rates might

become possible, writes James

However, towards the end of

the day, several dealers felt

that the possibility of a base rate cut had receded following

comments from the chancellor

of the exchequer to the House

of Commons Treasury Select

Committee, and an analysis of

As one discount house dealer

chancellor said gave me the

impression that base rates

were about to come down."

The structure of Mr Norman

Lamont's economic policy was

not fleshed out in any more

detail, but some dealers felt

that there was a clearer

commitment to managing the

exchange rate to ensure that inflation is controlled.

In the morning, the Bank of

England's offer to deal in the

early round without a

repurchase agreement fuelled

speculation that a rate cut was

money market.

UK rates ease again CASH rates in the sterling money market softened yester-Traditionally, the Bank offers to buy a "repo" at the day morning as dealers continued to believe that a near-term

established rate when it wants to kill all thought of a base rate move. The news that it was offering to deal in the shorter-dated Bands I and 2 actually heightened speculation of a cut, pushing 3-month mone; down to 8% per cent. The December short sterli contract shot up to its higher level since 9 per cent base rates were introduced, peaking

the Bank of England's operations in the sterling at 91.90. According to one dealer, the Bank turned down offers to buy bills at cheaper rates, re-establishing the rates for put it: "Nothing in what the Bands 1 and 2 at 8% per cent. UK clearing bank base lending rate 9 per cent from September 22, 1992 "By turning cheaper deals away, the Bank sent a strong message to the market that

rates are not going to change," he said. The December short sterling contract later fell back to close at 91.89, 1 basis point up from its opening level. Cash rates retained their optimistic tone, with 3 month money closing & per cent down on the offered side at 8% per cent. One month money closed at 8% per cent from 9% per cent offered.

Treasury Bills (sell): one-month Bill or a three muetts Bill per cent. six month, bill per cent. Treasury Bills (sell): one-month Bill per cent. Treasury Bills: Are an intender rate of discount 8.0821. ECGD Fixed Rate Sterling Export Finance. Bills: Are ray tender rate of discount 8.0821. ECGD Fixed Rate Sterling Export Finance. Bills: Are ray September 30, 1992. Agreed rates for period Oct. 26, 1992 to November 24, 1992. Scheme 11.11.8 p.c. Scheme IV. 11.11.8 p.c. Scheme IV. 11.11.8 p.c. Contail Authority and Finance Houses seven days notice others seven days fixed. Finance Houses Base Rate 10½ from October 1, 1992. Bank Deposit Rates for stems at seven days notice 4 per cent. Certificates of 7ax Deposit Series 6). Deposit Effects 6). Deposit series of the deposit Series 6). Pepasit 50, 100,000 and over held under one month 5½ per cent; one-three months 8 per cent. These-shipmonths 7½ per cent; six-other months 7½ per cent; under companies 7 per cent. Indee 6100,000 5½ per cent from Sep 23, 1992. Deposits withdrawn for cash 5 per cent. The Bank revised its forecast shortage down from £750m to £500m, buying £4m of Band I bank bills, a further £254m in the afternoon, and providing late assistance of £165m.

compared to its ERM floor of

FFt3.4305 against the D-Mark. The franc, the benchmark of currency stability in Europe, could still survive in the ERM without a devaluation. But the franc's defence has left French commercial banks borrowing money from the authorities at a rate several points higher than their own lending rates. "All the good news about German rates is already in the market." said Mr Hannah. "and, if the French ease rates now, it's hard to see where

Sterling was barely affected by Mr Norman Lamont's appearance before the Treasury Committee of the House of Commons. Mr John Hall, an economist at Swiss Banking Corporation in London, spoke for several analysts when he said that that there was noth-Uncertainties on German ing new in the speech barring policy may be gently underthe restatement of a highly pragmatic economic policy.
The pound closed down against
the D-Mark at DM2.51

they can go next."

EMS E	UROPE	AN CUR	RENCY L	INIT RA	TES
	Emi Centrali Rates	Correcy Ametais Against Eau Get 12	% Change front Central Rate	es Westest Currency	Divergence indicator
Pusch Gurider	2 29193 41.9547 2.03412 6.52216 7.75901 0.759300 176.844 139 176	2.21437 40 5478 1.96751 6.65180 7.60384 8.750188 1.75 241 1.40 7.25	-3.35 -3.25 -2.06 -2.06 -1.20 -0.91	4.60 4.63 4.54 3.24 3.24 2.35 2.05 0.00	11年7日の名

POUND SPOT - FORWARD AGAINST THE POUND						
Oct 12	Day's parests	Class	line month	p.a.	Three pontis	% p.k
rancy rancy within apar aparia witherland	10 1470 - 10 3140 # 4565 - 8.6.130 9 3736 - 9.5100 205.50 - 204.75 17 49 - 17.98 2 205 - 2.595 1.2750 - 1.2880 rates talon towards to	1.7045 - 1.7054 2.1116 - 2.1170 2.1116 - 2.1170 2.1216 - 2.1170 2.1225 - 2.1175 51 70 - 51 80 9.7175 - 9.7275 0.9580 - 0.9580 2.5075 - 2.5125 2.21 01 - 224,00 1.78 00 - 178 . 30 1.28 0 - 178 . 30 1.28 0 - 10.5225 8.5275 - 8.5375 9.4325 - 9.405 1.1 66 - 17.71 1.2277 - 2.2375 1.2370 - 1.2580 1.2485 - 1.2580 1.2485 - 1.2580 1.2485 - 1.2580 1.2485 - 1.2580 1.2485 - 1.2580 1.2485 - 1.2580 1.2485 - 1.2580 1.2485 - 1.2580 1.2485 - 1.2580	45-155crit 10-14lectis 31-43-peeds 11-23-peeds 1-3-year 1-3-year 1-3-2-peeds 1	0.58 -0.32 -0.30 -0.30 -0.74 -0.52 -0.52 -0.52 -0.38 -0.38 -0.38	2.33-2.30cm 0.67-0.20cm 10-1-0.5 2.30-1-5-00 2.30-1-5-	5 U 0 U 0 U 0 U 0 U 0 U 0 U 0 U 0 U 0 U

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR								
Oct. 12	Day's spread	Clase	Dee month	% p.1	Tirre mostle	% p.i.		
Norwey France France Sweden Japan Anstria Switterland Eco Conumercial Forward green	50.05 - 30.45 5.6400 - 5.7050 1.6570 - 1.4765 130.75 - 133.30 104.40 - 105.50 1250 00 - 1308.00 5.7773 - 6.025 5.4760 - 5.5645 129.50 - 121.40 10.2660 - 10.3760 1.2010 - 1.3175 12650 - 10.3760 1.2010 - 1.3380	h 0075 - 1.0125 5.0025 - 5.0075 5.3025 - 5.0775 121.00 - 121.10 10.3650 - 10.3700 1.3055 - 1.3095 1.3235 - 1.3245 in ned of London Les pply to the US dollar	100-140cdls 12:00-16:00llreds 473-6:00reds 275-4:10cds 4:80-6:30ds 0:08-0-970b 5:14-5:50grods 0:37-0:40cds 1:04-0:99cps distr. + UK Irritind	578 14.49 14.42 17.44 17	2.33-2.30pm 6.00-5.00pm 1.25-1.45em 1.25-1.45em 2.77-2.31db 40.00-4.500pm 12.00-1.30pm 2.00-1.25em 9.90-10.40pm 1.300-1.25em 9.90-10.40pm 1.300-1.25em 1.300-1.25em 1.300-1.25em 1.300-1.25em 1.300-1.25em 1.300-1.25em 1.300-1.30	1.2.3.4 1.2.3.4 1.3.2.4 1.3.2.4 1.3.		

EXCHANGE CROSS RATES												
0ct,12	1	\$	PM	Ym	F Fr.	S FL	H FL	Um	CS	B Fr.	Pta.	Ecu ·
S DAI N I'L Lita CS BF-, Pta Boa Yen par 1	4 847 1 172 0.448 0.452 0.452 0.472 1.932 0.561 0.776	1.705 1 0.679 8 365 1.998 0.764 0.603 0.771 0.805 0.957 1.334	2.910 1.472 1 12.17 2.942 1.134 0.588 1.135 1.186 4.850 1.409 1.409	206.3 121.0 82.19 1600. 241.8 92.19 97.45 97.45 97.45 115.8 160.2 Ura per	6 533 5.005 3 400 41.36 10. 3 821 3 821 3 821 4 .031 16.49 4 .768 6.625	10.82 2 617 0.790 1.005 4.325 1.734	2.626 1.639 1.127 13.71 3.314 1.266 1.336 5.445 1.567 2.196	2210 1296 280 5 10713 2590 7 781 5 1000. 1044 4271 1240 1716 00: Pant	2.117 1.342 0.843 10.26 2.481 0.749 0.958 1.091 1.168 1.644 a per 10	51.75 30.35 20.62 250.8 60.65 23.12 23.42 24.44 100. 27.04 40.18	178.2 104.5 71.00 863.6 208.8 79.80 63.61 84.18 344.3 100 138.4	1.200 0.755 0.513 6.243 1.507 0.563 0.563 0.608 2.489 0.723
EURO-CURRENCY INTEREST RATES												
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E	JRO-CL	JRREN(Y INT	EREST	RATES	
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offer 34

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MONEY RATES

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LONDON MONEY RATES

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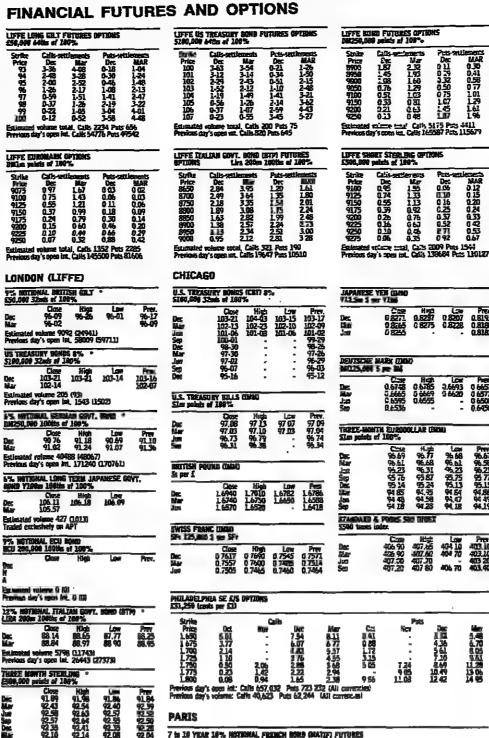
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Close High Law 91.69 91.78 91.65 92.40 92.49 92.56	Prev. 91.76 92.46	October Marender	1654 II 1676.0	1670.0 1685.5	-10 -15	1677.0 1687.0	1663.5
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MONEY MARKET FUNDS Gress ber Cr

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Leopoid Joseph & Sens Limited
Portham Street, Loodon ECZV 7EA 071 568 2323

Lloyds Bank - Investment Account 71 London St. London EC3P 38S 02

Julian Hodge Bank Ltd 10 Wieder Place Cardiff CF1 36X 6 Mm Fleck Ray Dip Act. . 116 GO Extra High Internal Depart Account

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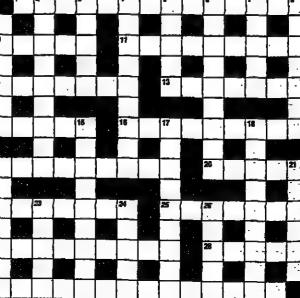
Heavens above, is the City a 200? Bulls, bears and stags, and now Pelikans tool Selikan (3

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CROSSWORD

No.7,975 Set by DANTE



15 Starts court proceedings badly (6,3) 17 Existing fashion? (4,5) 18 Instruct England's opening pair before and after the.

and throws (5)

16 is about to defame the Brit-19 Termini switched for the time ish, perhaps (9)

19 Insert of two pages Alfie rent 21 Pay to stay (6) 23 A valediction is something. in error (9)
20 These are sure to be brisk for beer on board (5)
21 Il-starred men of commerce
22 A verecuction is sometime, cast in gold (5)
23 Bring us up his cooked dishfrom Japan (5)
24 Threefold anaesthetic (5)

(7) 25 Cunning action made with the French in view (?)
27 So unruly, I disrupted in a disastrous way (9)

28 We are kept away from home tn ft (5) 29 Activity in which one may reach one's peak (14)

like the trunk (5) A shameful retreat? (3.2.4) 5 Thrown out of bed earlier

Solution to Puzzle No.7,974 HANSARD BRITOCHE

7 Get used to being in old city

quarter (5) 8 Change gears, point and lubri-

Provides a home for a small

cants (7)

match (9)

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advertiseme attached to **ACROSS** 1 Tower of Pisa, eg, is of architectural interest (6,8) 10 Gloomy depression's beginning to lift (5)
11 Instrument not played by ear? (4-5) 12 Don't push on, yet achieve 12 Don't push on, yet achieve one's end (4.3)
13 They reckon they work in a bank (7)
14 Reacts like a startled horse Manhattan-Windsor W H.M. Governmen Steward St., Birmingham B18 7AF, England. Fax: 021-454 1497

ple to safety (4-5)

2 The present perfect? (5,4) 3 Elephant's tail, something than arranged (5)
6 Fifty one cats may haul peo-

MARSARO BRIDONE A O G A A H H V2 BAVIER REHINSTATIES D II E E R O I S BOTHEADED LEMIN A II W R TOAST VOLVEFAGE T U II A R E OVERRULES TACITI

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Acces 700 -11 Scklys 900 -10 do Shasel 576 -4 Heli Grots 1570 -10	M'bishi Materials 441 -13 M'bishi Oli 898 +12 M'bishi Paper 532 +19 Mishi Paper 532 +19	Sapporo Brews	AWA 0.95 +0.02	Wharf Holdlers 16 30 40 20
tea Gross 1.570 -10 n-El Chemical 447 nze 630 +1 nige Corp 561 -3 night El Rusy 431 -34 State 571 +11	M'bishi Plastics 495 -9 M'bishi Rayon 338 -2 M'bishi Steel 660 +35	Selvo Food Sys 900 +5	Aberloyle	Winty On Co
tiori Selko 1.070 22ma Corp 544 +3	M.PPP Matepone 1'140 →10	Sektsul House	ANZ Bank 2.78 -0.02 Aust Gas Light 2.70 +0.03 Aust Nat less 1.76 -0.01 BNP	MALAYSIA October 12 MVR + or -
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NAMES 214.39 214.76 214.67 215	720/2) (26/8) [5/9/89 GB/7/32)	Traded hoter C2(1)(FIX) BELCOLUMN BELCO CATUMN		199.27 1077 15	1275 40 (24s)	1046-07-02/9
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& Financicial air, yield 2.80 2	268 3.24 7.40 27.57 28.53	Nikto (16/5/49) Tokyo SE (Topus) (4/1/68) Zod Section (4/1/68)	1309.33 1298.65 13	135.51 171,11.74 164.69 1299.09 142.76 1693.14	23601.18 (4/1) 1763 43 (4/1) 2459 85 (4/1)	14309 41 (18/8) 1302.50 (18/8) 1502.77 (19/8)
		MALAYELA KI,SE Curuskie (4/4/66)		P1.77 590.59	V14 0P (SD/S)	546.43 Q4/D
IEW YORK ACTIVE STOCKS Stocks Closing Change	TRADING ACTIVITY † Volume Millions	HETHEREAMOS CBS TU Job Gas (Ext) 1983 CBS all 5ts (Ent) 1983	0 287.0 284.8 193.5 193.4	287 0 285.5 193.5 192.5	334,90 (9/4) 215 50 (26/5)	274 00 (8/1) 189 70 (25/8)
londay traded price on day	Oct 12 Oct 9 Oct 8-	HORWAY DNo SE One (2/1/80)		579.31 575.54	772.74 (18/9	332-43-4348
erch 3,213,300 41.5; + 5; in Motors 1,694,300 30.5; + 15; int Motor 1,547,700 36.5; + 15;	Here York SE 126.990 178.910 203.780 Amer 6.964 9.530 10.212 MMSDAQ MJ 170.243 197.854	Print IPPONES Marila Comp (2/1/85)	1391.86 1408.13 14	03.42 1407.80	1500 95 (11/6)	1083.01 (17/3) -
nyster 1,542,900 22% + % na Cola 1,523,900 36% - %	INSE Issues Trains 2.271 2.303 2.361	SHGAPORE SES All-Support 12/4/79 BOUTH AFRICA	354.03 385.02 3	35.25 359.AJ	416.99 (21/1)	254 03 (22/10)
h Billoro 1,376,900 1216 + fg nor Waste 1,236,600 34g + fg muun Comp 1,157,500 36 - fg	Fort: 1,103 516 1,066 Fort: 603 1,186 6,39	原 (24 (26月)市 原 (26年)市 (28月)市		361.0 E74.0 082.0 4080.0	1527 00 (21/1) 4689 00 (4)61	217 00 (12/10) 3973 00 (14/8)
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ase values of all ladices are 100 except NYSE All	Common - 50, Standard and Poor's - 10; and	M.5 Capital latt.(1/1/70) (Euro Top-100 (25/5/90)	905 20 805 58 B	467 1 486.7 01.53 792.36	542.10 17(1) 976.55 125/51	467.50 48/4 772.52 (5/10)
promise Composite and Metals — 1000. Toronto in 5. 1 Excluding bonds. I holds index theoretical day's navaritable. A The DJ Indi-index theoretical day's of lowest prices reached during the day by each stu- applied by Teleburs! represent the highest and low- by. (The figures in brackets are previous day's)	Inancial and Transportation, (c) Closed (b) bights and lows are the averages of the highest ock; whereas the artiful doors highest and low-	A Select to official reca	Alman Weighted Price Ici, Ke Iculation. "Calcatated a tre 100 outrol: Anstria Traded,	1 15.00 GMT.		EmpToo-100 ISEO
upplied by Teleborsi represent the highest and low sy. (The figures in brackets are previous day's)	rest values that the index has reached during the	Overall and DAX - 1,000, . (c) Clours, (s) Unavailable	er 100 eusest: Austria Traded, ISE Gold – 255.7, JSE 26 Indu t	Strick - 254 3 and	Antiralia Ali Ordina	ry and Mining - 500,
						
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TOKYO - Most Active Stocks Shocks Traded 2 Im 2 Dm 1.7m 1.7m Classing Priotes 555 605 579 1,570 Stycks Traded 3.6m 3.6m 2.6m 2.4m 2.4m

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FT SURVEYS



NYSE COMPOSITE PRICES | Principle | Princ PRICES NASDAQ NATIONAL MARKET In custom 17 In custom 17 In custom 18 Фф ₄₅ FINANCIAL TIMES TUESDAY OCTOBER 13 1992 NASDAQ NATIONAL MARKET 4 pm close October 12 | West Sun | 100 | 100 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | The company of the co C Tree Code line of Code line o AMEX COMPOSITE PRICES | Block | DPV | Block | All | Low Closes Clong | Block | DPV | E | 100c | All | All | Clow Closes | Clow | Block | DPV | E | 100c | All | All | Clow Closes | Closes | Clow Closes | Clo Pf Sha 1 1990 High 3 75 16¹₂ 8 619 38¹₂ 1 25 8¹₂ 1 35 8¹₂ 50 10²₂ 1 36 1¹₃ 6 Pf DN. E 1 1.14 13 0.25 16 1.10 18 0.12 20 9.66 14 A 0.16 1 Ching Shack +1s Pet 1982 Phil De 1982 +1s Private A Sty Cam PMC 12 PresideA RESSW Cp 181, 181, 381, 382, 281, 281, 81, 81, 101, 101, 611, 11, 8 3% 10 7½ 2 34 46 16% 19 3% Vivigen RegLas C RegLas 3 Trestante WHET WHET Worthers 15 The survey will be seen by leading international businessmen in 160 countries worldwide. If you would like to promote your countries to be a survey or a survey o WE KEEP YOU IN TOUCH mote your organisation's involvement to this impor-tant audience please Patricia Surridge FROM TURIN TO TORONTO. in London Tel: 071-873 3426 Fax: 071-873 3428 - D - 5 2720 1242 (8.12 27 26 17 26 Or Gerd Roezler in Vienna Tel: (1) 505 3184 Fax: (1) 505 3176 You'll find the Financial Times on the leading sirlines and at hotels and kiosks in business centres around the world. So wherever your business takes you, our news and views can be part of your business day. Any problems call the FT Copyline on 49 69 15685 150.

Dow stages recovery after Friday's sell-off

Wall Street

US MARKETS yesterday regained some of the ground lost during last week's big sell-off, but trading was light because of the Columbus Day holiday, writes Patrick Harverson in New York

At the close the Dow Jones Industrial Average was up 37.83 at 3.174.41, almost recouping Friday's 39.45-point loss. The more broadly based Standard & Poor's 500 also ended firmer, up 4.77 at 407.43, while the Amex composite finished up 1.13 at 365.98 and the Nasdag composite 3.32 higher at 573.84. Turnover on the NYSE was 126m shares.

With banks and the bond markets closed for the day, trading was subdued. The rise in share prices was seen orimarily as a reaction to the 120point drop in the Dow over the preceding seven trading days.

Although the underlying mood of the market remained gloomy, both about the economy and third quarter corporate earnings, some investors believed the recent losses created attractive buying opportu-

investors were also cautious about trading ahead of this week's economic statistics. Retail sales and producer

sumer prices (Thursday) and industrial production (Friday), both also for September.

There was little reaction from the markets to Sunday's presidential television debate. Political analysts judged that the none of the three contenders established a clear advantage during it, and consequently Governor Bill Clinton's lead in the polls would probably remain unchal-

Among individual stocks, the motor sector was in strong form, buoyed by some positive comments from Mr Scott Merlis, the industry analyst at Morgan Stanley, about the outlook for the big three manufacturers in 1993. Ford climbed \$1% to \$36%. General Motors added \$1% at \$30%, and Chrysler rose \$% to \$22%, all in

heavy trading.
Advanced Micro rose \$% to \$12½ after analysts at two broking houses, Merrill Lynch and Gruntal & Co, upgraded their ratings on the computer

IBM climbed 3¼ to \$78% as some investors bought in anticipation of a better-than-expected earnings report on Thurs-

De Beers lost R1.90 to R48.35 and Anglos closed R3.75 or 4.6 Maxus Energy rose \$% to \$7% after Wall Street invest per cent down at R77.50.

agreed in an out-of-court settle-

ment to pay the Texas-based

energy group \$165m to settle an insider trading lawsuit

stemming from a 1983 take-

over. General Electric, Kidder's

fected by the news, and was up

Avalon jumped \$1 to \$3%

and Zemex rose \$% to \$5%

after Dundee Bancorp proposed

to acquire the former for \$3.75

a share and the latter, in which

Avlon holds almost 50 per cent.

Toronto was closed vester-

CONCERNS about the sharp

fall in New York on Friday

sent Johannesburg lower and the overall index fell 54 or 1.8

Gold shares were weak fol-

lowing the decline in the bul-

lion price and the index lost 36

or 4.2 per cent to 817, while

the industrial index shed 28 to

De Beers and Anglos, which

together have a combined

weighting of about 17 per cent

on the overall index, led the

Benetton, up 14 per cent on the

week, while Generali's 13 per

cent gain also contributed largely to the advance in the

Index. Another insurer

\$% at \$75%.

for \$5.50 a share.

per cent to 3,024.

day for Thanksgiving.

SOUTH AFRICA

Firm NY start lifts late-closing bourses

FT-L Eurotrack Indices THE EUROPEAN SERIES

AN intraday recovery in Germany and a strong opening in New York helped the FT-SE Eurotrack 100 index recover from early lows, writes Our Markets Staff. Madrid was closed for a holiday.

FRANKFURT broke below its 1992 closing low of 1,420,30, recorded last Tuesday, the DAX index hitting a day's low of 1,415,94. But the index recovparent company, was unaf- ered to close 7.12 down at 1.432.54

> Mr Matthias Welticke of Merck Finck in Düsseldorf said that there were three reasons for the intraday recovery: first, closing of positions ahead of the expiry of October call and put options next Friday; condly, the belief of many Germans, especially short-term operators, that the market will hottom out; and, finally, the apparent resistance of the DAX to any permanent break below

> Nevertheless, falls were the day's main individual talking points. Bayer, the premium stock among the big three

> cropped DM5.10 to DM242.40,

11.39 14.99 12.68 13.00 Hearty changes 984.57 984.55 985.00 974.76 1071.30 1069.79 1072.65 1060.55 FT-SE Enrollment 25 1062.17 978.83 1065.29 976 04 1063.95 976 60 1060.55 DILL S Same value 1900 (25/10/90)

some dealers blaming a tenuous link with a hazardous materials case, others the assessment of general profitability and prospects.

Siemens, which added redundancies in its semi-conductor operations to earlier problems in its Siemens-Nixdorf computer business, extended its period of relative weakness with a fall of DM6.30 to

MILAN ended lower. eighed down by selling linked to the exercising of call options yesterday, and as investors sold out, disappointed that a cut in interest rates had not been announced at the weekend. The Comit index fell 0.72

In Osaka, the OSE average

rose 59.25 to 18,953.14 in vol-

ume of 6m shares. Investors

dabbled in low-priced theme

stocks, but overall activity

remained low. Nintendo, the

video game maker, rose Y60 to

Y9.850 on the rise in the dollar

SPECIAL circumstances took

Hong Kong up against the

trend in the region yesterday. HONG KONG had an exuber-

ant opening in the wake of the

Sino-US trade agreement

which concluded on better

terms than had been rumoured

on Friday. The Hang Seng

index ended 128.86, or 2.8 per cent higher at 5,725.57, after

hitting 5,790.70 at the opening.

Turnover was a relatively heavy, at HK\$3.58bn. Property

hottom paints

against the yen.

Boundup

to 396.85 in turnover estimated at L150bn after Friday's L238ba, Dealers expected trading to be technical ahead of the close of the account tomorrow.

The insurer, Ras, was one of

the day's biggest casualties, falling L2,000 or 11.8 per cent to L14,900 after Friday's news that its one-for-four rights issue would start tomorrow. Fiat rose L107 to L4,181, supported by reports that Alcatel

Alsthom of France was interested in huying Fiat's 25.4 per cent in Alcatel Italia. PARIS fell at the opening fol-

lowing Friday's drop on Wall Street and then rebounded in the afternoon as the US market opened firmer. But there was little else for Paris brokers to

get their teeth into, and turnover was a mere FFr1.06bn. The CAC-40 index ended 2.29

lower at 1,655.05. The main moves in the day came in the second-liners. Among leading stocks, Michelin fell FFr4.10 to FFr174.60, Société Générale fell FFr7 to FFr520 and Paribas added FFr10.90 to FFr291.

AMSTERDAM saw dull trading as the CBS Tendency index lost 0.3 to 107.5. Pirelli Tyre Holding gained FI 1.20 or 9.4 per cent to Fi 13.90 after Friday's plunge on news of its plan to double its share capital. KNP was down 30 cents at Fl 39.50, ahead of news after the close that it expects a sharp fall in 1992 earnings.

ery to 1,375.56 at the close. The

five major companies that

make up around 70 per cent of

the exchange's capitalisation

have run foul of US and Euro-

pean pessimism with forestry

combine Fletcher Challenge, which has lost half its market

value in the past three months.

correction, after recent rises

and on investors' concern

about volatility in New York.

The SET index ended 14.63, or

1.65 per cent lower at 871.71, its

largest daily loss for four

months, in turnover of

AUSTRALIA was subdued by

overseas uncertainties, and

even the A\$1.23bn bid for the

biscuit manufacturer, Arnotts,

by Campbell Soup of the US

failed to generate enthusiasm.

The All Ordinaries index

closed 3.3 lower at 1,463.0 and

Arnotts, after suspension, was

B49.40bn.

BANGKOK saw a technical

BRUSSELS was weaker in quiet trade although Petrolina hucked the trend with a gain of 1.2 per cent. The Bel-20 index lost 2.33 to 1,092.54 in turnover of BFr557m.

Petrofina recovered BFr100 to BFr8,050 after Friday's 5 per cent decline on news that Norway might close an important North Sea installation in which the group has a 30 per cent

ZURICH was little changed,

the SMI index firming 3.1 to 1,881.5. Among banks UBS bearers gained SFr1 to SFr788. STOCKHOLM eased in thin trading, the Affarsvärlden General index falling 2.7 to 665.3 in turnover of SKr213m after SKr354m. B shares in Volvo lost SKr1 to SKr213. Reports that the car company would cut production of 1993 models by 12,000 units and was consid ering the closure of two of its Swedish assembly plants came

after the close. VIENNA'S ATX index recov ered from an intraday low of 766.55 to end down 5.64 at 770.52. ISTANBUL's 75-share index gained 81.42 to 4,021.92.

unchanged at A\$8.00 against

Campbell's A\$8.80-a-share

SEOUL wobbled on the

departure from the ruling

Democratic Liberal Party of its

co-chairman, Park Tae-joon. The composite index shed 10.87

to 514.90, with turnover of

Won152.09bn, against

Won137.34bn for the half-day

MANILA's blue chips weak-

ened as second liners rallied

and the composite index fell

16.25 to 1,391.88. Combined vol-

ume surged from 5.79bn shares

to 7.81bn, but turnover eased from 842m to 331.6m pesos.

BOMBAY fell sharply after a

World Bank report warned

India about a possible balance

of payments crisis; the market

was also hit by a rise in infla-

tion to 9.2 per cent for the

week ended September 26, from

7.4 per cent two weeks earlier.

The BSE index fell 109.05, or

3.3 per cent to 3,166.52.

Nikkei, Hang Seng rise against the trend

Hang Seng index

FT-A World Index

developers were the most

active stocks on the day, with

Sun Hung Kai and Cheung

Kong gaining HK\$1.25 to HK\$33.50 and HK\$0.60 to

HK821.20 respectively, while

HSBC led the banks up with a

NEW ZEALAND fell 1.1 per

cent to a new 1992 low in early

rise of HK\$1.00 to HK\$13.40.

130 ---

110

SHARE prices firmed in quiet

to 17,302.01 after a low of 17,086.66 and a high of 17,307.02. Investment trust funds and public pension funds moved in to support share prices late in the afternoon, and foreigners were seen buying in small lots.

Volume totalled 150m shares.

stocks gained 10.68 to 1,309.33 and, in London trading, the ISE/Nikkei 50 index fell 1.11 to

nation in the market "The price-earnings ratio is

The dollar firmed against the yen, lifting some high-technology exporters. NEC rose Y30 to Y715 and Sony advanced Y80 to

Ito-Yokado, the supermarket

fell Y78 to Y527 on profit-taking. The issue had surged previously on the strength of Hanshin Tigers, the Osaka-based seball team. However, failure to win the league series prompted heavy selling. Other Hanshin group companies were also lower, with Hanshin Elec-

tric Rallway down Y34 to Y431. **Environmentally-related** issues were actively traded by speculators. Chugoku Marine Paints, the leading paint maker, finally fell Y3 to Y586

trading, the NZSE-40 index dipafter rising on hopes of higher orders of its pollution-free ship ping to 1,366.88 before a recov-Indices rebased

Tokyo

trading on Index-linked buying towards the end of the session, writes Emiko Terazono in

The Nikkei index rose 242.23

the lowest since August 17, falling sharply from Friday's 483m. Settlements for October option prices had boosted activity at the end of last week. Advances led declines by 520 to 370 with 186 unchanged. The Topix Index of all first-section

have provided a floor for share prices by indicating buying interest below the 17,000 level analysts said that this in turn seemed to be causing the stag-

currently too high and buyers are waiting for an adjustmen said Mr Yuichl Kohashi, strategist at Daiwa Securities.

Y4.030.

chain, rose Y110 to Y4,040 on reports that the company expected a 4 per cent rise in pre-tax profits for the current fiscal year, despite a fall in consumer demand. Hanshin Department Store

This announcement appears as a matter of record

Public Tender Offer

KRAFT GENERAL FOODS HOLDINGS NORWAY, INC.

to acquire the entire outstanding share capital Class A and Class B shares

Freia Marabou a.s

on the initiative and with the guaranty of KRAFT GENERAL FOODS, INC. a wholly-owned subsidiary of PHILIP MORRIS COMPANIES INC.

Summary of principal terms and conditions:

NOK 450 per A share Offer price:

NOK -i50 per B share

shares are registered as tendered until the date on which payment is made at a rate equal to NIBOR for 6 month deposits, adjusted monthly, the rate not to exceed 15% per

Acceptance period: Monday 12 October 1992 - Wednesday 11 November 1992.

Conditions

Interest

Purchase of shares cannot be completed unless the following conditions are satisfied or waived: ...

Interest is payable on the Offer price from the date on which

(i) the Offeror receiving valid acceptances in excess of twothirds of the A shares and in excess of two-thirds of the B

(ii) the Offeror being granted the necessary concession from the Norwegian Royal Ministry of Industry or other

Norwegian authorities pursuant to the Norwegian concession legislation.

The above is only a summary. The Offer is made on the terms of the Offer Document dated 9 October 1992, which can be obtained from:

N. A. JENSEN & CO. A/S

P.O. Box 267 Sentrum 0103 Oslo Norway

Telephone: + 472 33 14 75

Enskilda Fondkommission Skandinaviska Enskilda Banken

Box 16067 103 22 Stockholm Sweden

Telephone: + 468 763 95 00

This announcement has been approved by Enskilda Securities, Skandingviska Enskilda Limited, a member of The Securities and Futures Authority, for the purposes of section 57 of the Financial Continuous Authority.

Italy gains 10 per cent on moves in political arena collapse of yet another coalistrong export markets, such as

By John Pitt

UROPEAN equity markets remained volatile last week, amid sporadic hopes that Germany would ease monetary policy. This register substantial gains in the FT-Actuaries World Indices while senior European bourses recorded falls. The FT- Actu-aries World index was 1 per

cent lower on the week. Italy rose 10 per cent in local currency terms as investors were encouraged by moves in the political arena and propos als to suspend capital gains tax. With no one wanting

MARKETS

tion government, there were hopes that the budget package

would be passed by parliament

the			n effect l	lfted the	in the peseta waned and the Spanish government said it
IN	PERSP	ECTIV	2		had no plans to raise interest rates in the short term. In con-
je in loc	al carrency	1	% change sturing f	% stange in US S T	trast to Monday, the 3.2 per cent rise in the general index
	1 Year	Start of 1992	Start of 1969	1962	on Thursday was one of the best sessions of the year.
2,32	-23,14	-11.07		-8.73	However, Mr Stephen
1.13	-4.6 7	-5.29		-3.25	Hughes, Spanish analyst at
-5.06	-31.77	29.82		-27,55	Nikko Europe, remains cau-
9.38	-23.82	-17.55			tious about the market. "For-
-7.14	-8.45	-5.36		-2.59	eign investors are rightly still
4.81	-11.80	-11.01		- 9 .13	wary of the forex controls
-7.07	-22.60	-20.62		-19.51	
11.01	-20.56	-18.59			and a consensus remains that
0.47	+ 1.12	+202		+4.43	the peseta will have to devalue
1.68	-34.97	-22,47		-23.36	further in the short term," he
7.30	-26.56	-21.37			said. "For a sustainable rally to
4.08	-23.47	-15.10	-6.74	-15.71	be established, the currency
2.18	1.9,48	+10.59			risk for foreign investors must
7.78	2.89	+ 1.53		-8.24	be relieved."
1,61	-7.57	4.33	+1.84	-7.35	
2,80	-10.09	-13.64	-9.70	-18,39	Tordic countries
1.90	+37.40	+ 50.96	+45.78	+31.76	remained depressed
6.46	29.55	-23.67	-13.47	-21.79	last week with Den-
4.16	+18.15	+6.44	+27.78	+ 15.48	mark limning along under the

s- s e	high L	238bn.	turnov She not n effect li	er to a
N	PERSP	ECTIV	Z.	
	al currency i		% change sterling f	% shange in US S ?
4	1 Year	Start of 1992	Start of 1969	1965.
32	-23.14	-11.07	+0.99	-8.73
13	-4.67	-5.29	+7.01	-3.25
36	-31.77	-29.82	-19.84	-27,55
38	-23.82	-17.55	-19.59	-27.33
14	-8.45	-5.36	+7.78	-2.59
31	-11.80	-11.01	+ 0.55	-9 .13
37	-22.60	-20.62	-10.72	-19.51
31	-20.56	-18.59	-20.42	-26.07
47	+ 1.12	+2.02	+ 15.55	+4.43
50	-34.97	-22.47	-15.20	-23.36
30	-26.56	-21.37	-20.67	-25.90
38	-23.47	-15.10	-6.74	-15.71
18	19,48	+ 10.59	+26.19	+14.04
78 31	-2.89 -7.57	+ 1.53	+1.53	-8.24 -7.55
91	-7.57	-4.23	T 1.04	Pf.30
90	-10,09	-13.64	-9.70	-18,39
0	+37.40	+ 80.96	+45.78	+31.76
16	-29.55	-23.67	-13.47	-21.79
16	+ 18.15	+6.44	+27.78	+ 15.48
100	400 700	46.07	6 201	14 P 10 E

in the next few weeks, in spite
of opposition from trade
unions. At the weekend four
subsidiary laws to the budget,
dealing with local government
finance, health and pensions.
were passed, clearing the way
for approval of the main legis-
lation.
Ms Marie Christine Keith.
Italian analyst at County Nat-
West, says short-covering also
boosted the market's perfor-
mance last week, helping to
push Friday's turnover to a
nigh Lesson. She noted that
high L238bn. She noted that the devaluation effect lifted the

unions. At the weekend four subsidiary laws to the budget, dealing with local government	Comit Index. Another insurer in demand was Ras, ahead of Friday's news that its planned
finance, health and pensions, were passed, clearing the way	share capital increase was to commence this week.
for approval of the main legis-	Spain saw a negative start to
lation.	the week, a 3.6 per cent decline
Ma Marie Christine Keith,	on Monday, one of the year's
Italian analyst at County Nat-	steepest one-day falls, followed
West, says short-covering also	by strong gains during the ses-
boosted the market's perfor-	sions to follow. By mid-week
mance last week, helping to	domestic and foreign investors
push Friday's turnover to a	returned to the market, as the
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e devaluation effect lifted the	in the peseta waned and the
	Spanish government said it
	had no plans to raise interest
DEBECTIVE	the state of the s

> risk for foreign investors must ordic countries remained depressed last week with Denmark limping along under the weight of a shattered financial sector. Last week two more banks were downgraded by Moody's, the US credit rating agency, and another placed on the watch list. The market continues to lack direction, analysts say, while uncertainty over the Maastricht process

Austria	-2.42	+ 2,32	-23.14	-11.07	+0.99	-8.73
Beigium	-0.92	+ 1.13	-4.6 7	-6.29	+7.01	-3.25
Denmark	-4.52	-5.08	-31.77	29.82	-19.84	-27,55
Finland	-0.96	+ 9.38	-23.52	-17.55	-19.59	27.33
France	-1.55	-7.14	-8.45	-5.36	+7.78	-2.59
Germany	-2.24	-4.81	-11.80	-11.01	+ 0.55	- 9 .13
Ireland	2.62	-7.07	-22.60	-20.62	-10.72	-19.51
Italy	+ 10.77	+ 11.01	-20.56	-18.59	-20,42	-26.07
Notherlands	-1.10	+0.47	+ 1.12	+202	+ 15.55	+4.43
Norway	-3.57	+ 1.68	-34.97	-22,47	-15.20	-23.36
Spain	+ 4,38	-7,30	-26.56	-21.37	-20,67	-25,90
Sweden	0.38	-4.08	-23.47	-15.10	-6.74	-15.71
Switzerland	+0.23	+2.18	19,48	+10.59	+26.19	+14.04
UK	-0.37	+7.78	-2.89	+ 1.53	+ 1.53	-8.24
EUROPE	-0.36	+ 1,61	-7.57	4.33	+1.84	-7.55
Australia	-1,32	-2.80	-10,09	-13.64	-9.70	-18,39
Hong Kong	+0.76	+ 1.90	+37.40	+ 50.96	+45.78	+31.76
Jaoan	-0.34	-6.46	-29.55	-23,67	-13.47	-21.79
Malaysia	+0.58	+4.16	+18.15	+6.44	+27.78	+ 15.48
New Zealand	-3.44	-6.17	-10.76	-16.07	-6.80	-15.68
Singapore	-0.89	-3.05	-5.75	-16.56	-6.87	-15.88
Canada	-0.64	-6.66	-6.01	-9.79	-7.69	-16.58
U\$A	-1.71	-3.77	+7.48	-3.10	+7.21	-3.10
Mexico	+3.54	+ 9.62	+7.32	-3.11	+4.74	-5.33
South Africa	-3.62	+ 0.10	-11.24	-13.36	-29,51	-36.29

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FT-ACTUARIES WORLD INDICES

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Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

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Finland (15)	Canada (114)	114.30	+ 0.5	99.39		87.47	102.96	+0.0	3.43	113.70	99.69							
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Tuesday October 13 1992

As telecommunications and computing converge, the drive towards seamless networked systems is speeding up and the large vendors are at last backing the introduction of an industry-wide set of rules. Alan Cane reports

Paths to open systems clear

THE SLOW but inevitable convergence of computing and telecommunications is providing the motive force for an implosion of new information processing practices and tech-

A lexicon of neologisms has emerged to label these con-cepts: enterprise-wide computing, co-operative computing, client-server architectures, plug and play environments.

rightsizing.

What they all amount to is new ways of describing a concept more than a quarter of a century old: distributed data processing or ddp, the idea that computer, power can be spread throughout an organisation if it can be contained in small enough .packets. .For many companies it means substituting a large number of small computers connected in networks for a small number of larger machines.

International Business Machines (IBM), the world's largest computer manufacturer and staunchest defender of data processing centred on mainframe computers, is join-ing in. Last month among a raft of new communications products it announced adaptors (special circuit boards) that allow portable computers unprecedented access to corporate information systems as well as announcing plans that could see CICS, its flagship transaction processing software, dominating the open -

or vendor independent systems environment

The range of issues now encompassed by distributed data processing is bewilderingly broad. At one end of the spectrum is the dilemma of how to manage very large data networks, now the biggest concern among information technology managers. At the other, the question of which operatlog system should prevail in the open data processing environment of the late 1990s.

It is also providing the dynamo for the growth of a large number of entrepreneurial companies which were quick to recognise the possibil-ities of computer communications. These include Novell. the leader in software for personal computer networking and 3Com and Cisco which specialise in "internetworking", providing the hardware and software which allows local and wide area networks to talk to one another.

These developments are taking place against a background of the worst instability the computer industry has known. Prices are tumbling as improved technology cuts the cost of components. Distribution channels are being undermined as gross profit margins narrow. The global recession is forcing customers to put a cap on capital investment The large telecommunica-

tions companies, meanwhile, are taking a new interest in



nunications companies are taking a new interest in computing services British Telecom's network management centre at Oswestry: the large teleco

computing services, the fastest growing area of the computer

BT has emerged as one of the largest systems integration companies in the UK. France Telecom is negotiating to take a stake in Sema Group, the large Angio-French services company. Mercury Communications, BT's principal competition in the UK is moving into managed data communications, securing, among others, a £15m, five-year contract with TSB Retail Banking and insur-

The purpose behind these activities, whether overt or not, is the creation of "intelligent networks" which will give customers greater control of cost savings from improved allocation of network

For the telecommunications companies intelligent networks will provide an integrated. managed, services environment. Competition is aiready developing between the big companies to provide managed voice and data networking services for international compa-

The growth of computer communication is underpinned by a number of trends, including the evolution of open

Standards are at the heart of open systems. One of the most abused of industry terms, open systems simply imply computers that can easily be connected into communications networks and with the capacity to run software from any supplier obeying the open systems rules.

Last month Mr Jim Manzi, chief executive of Lotus Development Corporation told the Etre conference of top computer industry executives that open systems were the only way customers could expect an uninterrupted return on their investment in computerisation. Many corporations share a

common dilemma. Their operations, whether national or international, have grown in response to a business strategy in which information technology played little part.

The result is all too often an electronic Tower of Babel of

incompatible computers and software which denies senior management the chance to create enterprise-wide communi-

cations and has meant corporations have derived fewer benefits than expected from considerable investments in computers and communica-This dissatisfaction is driv-

ing the open systems movement. Large vendors, while paying lip service to open systems, have been less than nthusiastic about implementing them because of heavy investment in their own

Digital Equipment and IBM were networking pioneers -IBM through its mainframe networking protocol Systems through its VAX compatible computer line - but tardy in implementing open systems.

Both are now changing rapidly. Earlier this month IBM announced early support for the latest version of an industry-wide set of rules that guarantee a product conforms to open systems standards.

The rules are set by X/Open, a worldwide, independent open systems organisation which is dedicated to developing a muitivendor Common Applications Environment, based on both formal industry standards and standards which have become accepted de facto.

cations, XPG4, comprises 22 separate components covering

IN THIS SURVEY ☐ Client-server computing ☐ Security Page 2 □ Electronic mail Network management Page 3 ☐ Local area networks Page 4 ☐ Olivetti □ Executive information Page : ☐ Vendor profiles Page 6

operating systems and languages, data management, user interfaces, general interworking, mainframe interworking,

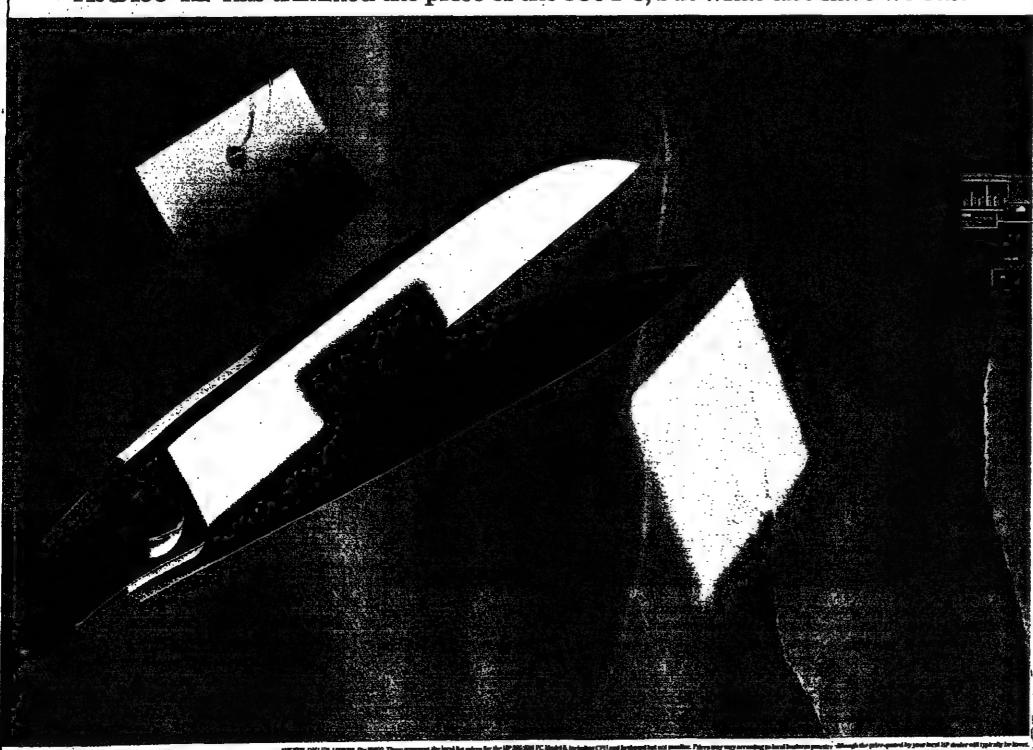
PC interworking and media.
Products which meet the XPG4 specifications will pass the open systems interoperability test and can safely be connected together in corporatewide networks.

Advances in open systems are still confused by the arguments over operating systems. There are still those who see open systems as synonymous with Unix, a multi-tasking, multi-user operating system developed by AT&T and now championed by Unix International, a non-profit organisation responsible for directing the evolution of Unix System V. an industry standard.

Competition for Unix will be seen from Microsoft with Windows NT, IBM with OS/2 and Taligent, an IBM and Apple joint venture, with a operating system codenamed "Pink".

Just as portable telephones have revolutionised conventional communications, so tiny portable "digital communicators" capable of handling voice, data and image, are expected to revolutionise computer communications. Apple, AT&T in co-operation with Matsushita, Marubeni and EO, have already announced product intentions. IBM is not expected to be far behind.

At \$495* HP has trimmed the price of the 386 PC, but what else have we cut?



Let's be honest. Low cost PCs and Hewlett-Packard would not feature highly in many people's word

So the aceptical among you may think a \$496 HP 386 PC would lack

We have out a few things, but not the things you might think.

We've cut the time it takes to run Windows by integrating a hardwa

going by putting the set-up program in ROM.

We've cut out screen flicker and

We've cut down on servicing time by

connections by pre-installing NIC.

We've even cut down the number of security commands to a single

In fact we think there's nothing left to cut. Except perhaps the coupon

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]	Please send me further information and the address of my local HP dealer.
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HEWLETT PACKARD

THE client-server model separates information technology systems into users (clients) and services (servers) and meets a rising demand for cheaper, more flexible and

"Client-server technology will affect large segments of suppliers and users and clientserver products will account for some 23 per cent of the soft-ware products market by 1996," says market researcher Ovum in its 1991 report "Client-Server Computing: Commercial Strat-

egies". The client-server model provides an economical way to distribute computer power. while maintaining the controls associated with centralised computing. It takes advantage of the lower costs of open, component-based systems and the trend towards industry-wide standards in software and com-

munications. Client-server systems use standard software and communications networks to distribute functions across multiple computers with different operating software. Powerful personal workstations, with advanced graphical user interfaces and local processing power (the clients), sit at the

Special-purpose "servers" providing services such as shared printing, communica-tions links and database store - are available, through

the network, to workstations. So far the client-server approach has been used mainly for database applications.

Client-server technology permits more flexible applications

User and service divide

Using an IBM-designed stan-dard called SQL, client work-stations are able to send complex requests for data to remote server computers.

But the past year has seen moves to broaden the appeal of the client-server approach and use it for more traditional data processing applications - particularly those which involve transaction processing.

Database suppliers such as Sybase, Oracle, Informix and Ingres have been in forefront and have placed increasing emphasis on the transaction processing features of their

At the end of September IBM announced a version of its popular CICS transaction process ing software which uses the client-server approach. It is based on AIX, its version of the Unix operating system, and runs on IBM's RS/6000 workstation computer.

CICS is, perhaps, IBM most successful software product with over 33,000 sites worldwide. It is the market leader by a wide margin and IBM's decision to move it to an open environment and re-engineer it to use the client-server model is

IBM's announcement came in response to a trend towards the use of open systems as a applications. The use of the client-server model provides an appropriate infrastructure for complexities associated with transaction processing in modern computing environments, which can be based on a variety of hardware and operating systems from different manu-

Traditionally, transaction processing applications have been based on single-supplier, proprietary computer systems

important factor in promoting the cause of open systems. Many companies rely on transaction processing as the base for important online operational tasks such as accounting and customer service support.

tinue expanding, they must be able to cope with complex transaction processing and, in the past two years, the standards infrastructure has grown to include the mechanisms to

Until recently, proprietary systems were the only ones which could provide the infrastructure to cover security of access, data integrity and disaster recovery

such as IBM's System 370

Until recently, proprietary systems were the only systems which could provide the infraaccess, data integrity and

disaster recovery.

IBM's decision to move CICS into an open environment backed up by an unprecedented policy to licence CICS to other manufacturers comes against a background of important activity in the trans-Computer suppliers

make this possible.

The IBM-backed Open Software Foundation (OSF), for example, has published a stan-dard for distributed computing which covers this. It includes a technique called the Remote Procedure Call (RPC) which can pass the complex messages through a network, regardless

new version of CICS uses the RPC to allow it to work across But IBM is not alone in see-

of the operating environment

or computer hardware. IBM's

cessing. Hewlett Packard announced that it would licence IBM's open CICS software, hard on the heels of the IBM announcement and other key manufacturers are expected to follow suit. Both Stratus which already has strong links with IBM - and Sun Microsystems have been suggested as possible future

Meanwhile Unix International, a rival faction in the open systems market, has put its weight behind an alternative transaction processing system, Tuxedo. This again uses the client-server model of com-puting to provide support for transaction processing in a mixed environment.

One of Tuxedo's main sponsors is the Japanese owned, UK-based manufacturer ICL, which uses Tuxedo on its Unixbased computers. Mr Nicholas Connor, marketing manager for distributed information systems at ICL, says the future of open client-server systems is tied closely to transaction pro-

"Client-server systems will grow more complicated and will need to be transaction-

based," he says.
"A simple business requireing the advantages of offering ment, like, say, adding a new

transactions. One to update the payroll file, one to up date employee file, one to update the pension file and so on. The business requirement is for a single transaction - but cur rent systems demand many different entries. Tuxedo provides the mechanisms with which to enter it just once and then distribute it automatically through the system," he says. Mr Connor suggests that this sort feature will give compa-

improve customer service too.

The introduction of a new telephone subscriber or a new client for a bank poses the same problem. Automatic transaction processing and dis-tribution would enable them to improve their service to customers. In the current economic climate this is obviously

nies the opportunity to

very important," he says.
Although Tuxedo and IBM's
CICS look set to compete with each other in the market for open transaction processing systems, they could end up cooperating. Tuxedo is able to work with CICS systems already and IBM has announced that a version of Tuxedo will be available for its mainframe computers - run-ning with its AIX/Unix - next

Either way, transaction processing in an open client-server environment looks set to become a big issue for suppliers and users of computers ross the industry.

Philip Manchester



Nicholas Connor: the future of open client-server systems is

SECURITY SYSTEMS

Fending off the fraudsters

portrayed by almost all in the computer industry as "a good thing - but they have also made life more difficult for those who design security systems for computer systems.

In a true open system where systems from different manufacturers can connect with one another - the security of the whole system is no weaker than the weakest link in the chain. The weakest of those links has traditionally been the personal computer.
The PC was originally

designed as a personal productivity tool - only one person was expected to use it and few considered the possibility that crucial corporate data would ever appear on its screens. The PC was something you would use to do word-processing, a little spreadsheet work and perhaps keep electronic ver-

sions of your address book.

Today's PC is far more powerful and is used for all manner of applications - many of which involve "networking" these PCs together with one another as well as with minicomputer and mainframe systems. For this reason, PC industry local area network (LAN) market leader Novell has had to serious come to

ble data security technology. According to Novell UK spokesman Mr Dominic Storey, many companies do not think about LAN security. He said a recent survey suggested few companies conducted risk analysis, developed security guide-lines, set up security configurations, co-ordinated security training or periodically reviewed security compliance for the networked PCs.

"LANs are basically distributed multi-user computer Systems and, as such, have similar security requirements. he says. "The computer needs to be protected from physical damage, the software programs from virus attack and the data from accidental or intentional

He says that the advent of viruses make the PC much more prone to breaches of security than minicomputer systems or mainframes - and therefore sensible precautions must be taken.

"Virus detection can be performed by specialised programs which look for sequences within program code," explains Mr Storey. "No virus detection program is foolproof, as new viruses are created on a distressingly regular basis. The best form of cure is prevention - and to do this. users must be discouraged from uploading suspect software or else have their rights restricted to prevent virus con-

One of the other keys to building a secure PC network lies in the features contained in the network operating system - such as Novell's Net-Ware. It starts with the "log-in" password, which must

starts working on the network. Passwords under NetWare are stored in special files on the file server called "bindery files. Within these files, all user passwords are stored in encrypted form using a one-way or "trap-door" encryption function. When a user logs in, the password is never seen. Instead, a special code (called a key) is passed to the PC. The PC uses the password to encrypt the key, and the encrypted key is passed back

unra

Passwords under NetWare must also be of a minimum length (thus reducing the statistical chances of a hacker guessing them) and can be "force-changed" by the network administrator, must be unique (so that no two users have the same password).

Most network system also allow network administrators to specify which system features each user will have access to. These can limit the times of the day the system can be used, the amount of time, the amount of disk space they use and the way they use dial-in "modems".

Mr Storey says that PC networks also need to offer an "audit trail" of their use. He not ideal in this respect. "No security system is perfect; it is essential to log information, so that a security compromise can

be traced," he says. "System audit information is available in a limited form for NetWare and will be extended to full file system audit in future releases. At present various logs are stored - the error log logs all hardware and system errors, and account information (bindery logs) can be generated using a supervi-

sor utility." In the end, however, security on PC networks is all about using common sense. And that means instituting companywide procedures for PCs in the same way as for minicomputer and mainframe systems.

"To maintain good standards of security, companies should employ tried and tested authentication procedures, says Mr Storey. "Use of initial passwords during account generation ensures that new accounts do not represent a security hole. Use of existing security features make a sys tem which is flexible to the

user, yet secure.
"If implementing a secure system with high expectations of data integrity, lock the file server away. A system will never be truly secure while the file server is easily accessible. Above all, train users to think securely. Make sure, for

example, that they use hard to guess passwords and do not place the password under the desk. This will reduce the pos-sibility of user ignorance leading to unexpected security

Geof Wheelwright

It's curious what passes for an interoperable computer system these days.

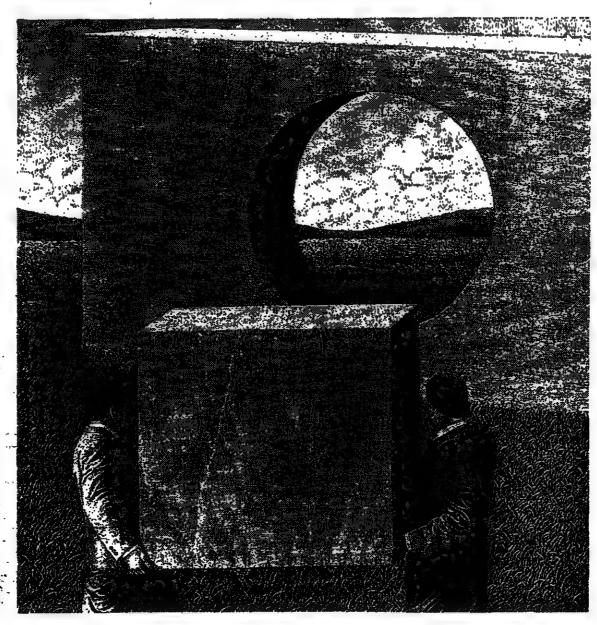
Lately, many computer suppliers are claiming that their systems are "Open". But open to what? Your computer environment, or theirs?

The question is a valid one. Computers should work with systems already in place: your existing investment. And with systems yet to come: your future investment. It's a big assignment interoperability - enabling information to move freely across different computer environments.

Unisys is a pioneer at delivering information solutions over open information networks. And is among the first to appreciate that Open Systems are only one step on the road to interoperability. "No supplier is doing more to respond to its customers' requirements for interoperability across its entire product line than Unisys", report major computer industry analysts, Aberdeen Group.

Let us suggest a simple test. Ask your computer providers if their commitment to interoperability applies to a few of their offerings. Or to all of them. Ask if their commitment/ends with UNIX and PC operating systems. Or is fundamental to their systems architecture and corporate strategy.

Total commitment to interoperability puts Unisys at the head of the industry, and gives our



customers an edge over their competitors.

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We make it happen.

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Call your nearest Unisys office or Open Systems Centre, and let us open your eyes to open solutions to fit your needs.

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Emma Woollacott finds local area networks are now playing host to electronic message systems

E-mail moves away from mainframes

ELECTRONIC mail is changing fast. A few years ago, it was largely the preserve of mainframe-based systems, and notoriously difficult to install and manage. But nowadays an increasing number of large corporates are downsizing to local area networks and are phasing out host-based e-mail systems in layour of LAN systems.

Mr Mark Hassall, Microsoft's costs of a LAN system". product marketing manager for Mail 3.0, says: "LAN-based e-mail can give all the things people were looking for in mainframe systems.

But users of things like Profs and All-in-One are paying exorbitant maintenance fees. There's a 10-to-one ratio between those costs and the

THE TECHNOLOGIES: OSI

Tangled web of interchange unravels

"YOU can die of boredom sitting in a standards meeting week in week out," says Mr Mark O'Neill. He should know. As a strategy chief at the Department of Trade and industry he is responsible for getting the UK husiness-community interested in the implementation of Open Systems

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Willer.

OSI offers a complicated seven-layer model of communications protocols. These should ensure a seamless exchange of information across computers from different suppliers. And the Government OSI Profile (Gosip) is alms to simplify the

tangled world of OSI protocols. We try and reduce the sheer number of options available to people by focusing on those areas of direct use and interest

concentrated the world of OSI into manageable chunks.

OSI base standards for local area networks contain detail on the co-efficiency of the wrapping applied to electrical cable. Mr O'Neill that thinks the end-user can be spared

'You find yourself with a 300-page document, and that is not realistic for the end-user

300-page document, and that is not realistic for the end-user. Gosip reduces it all to sometled the 400 options contained in the OSI model down to 12

sector. "We don't just sit in Millbank and make it up," says Mr O'Neill, "because we want to do what people want we built feedback into the pro-

been quick to hitch their own standards groups to the official bodies and have good incentives for keeping abreast of standards. "The government backing for OSI is driving us as suppliers," says Mr Simon Goodwin, connectivity manager at NCR in London. A user base in local and national government obliges NCR to sign

Suppliers have done more than ape the OSI line. They have set up a parallel bureaucracy. EuroSinet brings together representatives of the leading vendors in meetings around Europe. Companies nominate one European office to represent their perspective on evolving standards. Internal documents make it plain that active participation in maintaining common European standards is commercially

NCR's Copenhagen office is responsible for briefing the rest of the organisation on the significance of a European procurement standard. It characterises the OSI market in stark terms: "320m people, a yearly spending on IT equipment in

Ephos, is the Brussels answer to Gosip. It is serious. "In order to sell in Europe NCR must deliver products that follow the procurement standards or be able to justify why the NCR approach is better." This is NCR Copenhagen's line on

Ephos owes its existence to a 1987 EC directive that sought to include IT systems in the single market boat. On March 26 this year, 200 representa support. But he claims many tives of standards bodies gathered in Brussels to push the

Ephos boat out.

Gosip? Some observers of the

An industry observer

uncharitably characterises the

"Ephos promises a level

playing field for suppliers across Europe," says Mr

O'Nelli, stressing the cordial

relations Gosip staff enjoy with their near neighbours in Ephos. "We fully support the

Ephos initiative. There is some

repetition of work, but not as

Mr Colin Tulley is on the IT

planning group at Trafalgar

House it is his lot to translate

the work of EC and DTI stan-

dards bodies into useful tools

for a conglomerate that

embraces shipping, engineer-

ing and construction interests.

He displays a refreshingly

practical attitude. "We've said

we'll support the Gosip profile

where possible but we'll go outside the guidelines if there's

a business argument for doing

One of the key features of

OSI is X.400. This is a commu-

nications protocol that pro-

vides a common electronic

mail vehicle for the internal networks of large organisa-

tions. Trafalgar House has

implemented X.400. Mr Tulley

speaks of the achievement

with a mix of surprise and

X.400 up and running. Trafal-

gar House has a plethora of different computer systems

and X.400 is a flexible E-mail

based vehicle for outside cli-

John Brown Engineering is

an arm of Trafalgar House that

has pioneered OSI. Documents, images and drawings are the stuff of its precision engineer-

ing business. These articles

need to be transported interna-

tionally. "The idea is to

exchange technical drawings, to update and come to agree-

ment readily," says Mr Tulley. The means is X.400.

OSI compliance has meant a

modest investment for Trafalgar House so far. A Hew-

lett-Packard Unix machine to

run the Open Mail X.400 prod-

uct cost around £40,000. As the

machines will be dedicated to

But pricing out a communi-

'The point is that it

helps you service

your customers more

effectively'

cations strategy is not a high

From the John Brown pilot,

Mr Tulley welcomes Gosip as

allows the user to choose

which options he wishes to

standards are open to interpre-

implementation of OSI is

dislike of officialdom may be

Michael Dempsey

ents too."

"We've actuall

much as you'd think."

ties seem to have taken a back seat in the round of meetings between the two.

Interconnection (OSI).

to people," he says.

Mr O'Neill and his team at
the DTI's Millbank Tower have

"You find yourself with a thing simple." Gosip has whit-

essentials. Although it is a government sponsored initiative, Gosip aims to lead the commercial

Computer suppliers have

John Brown project expands, one or two more of these

priority. "There probably isn't an identifiable tangible payback for this kind of technology," says Mr Tulley, "The point is that it helps you service your customers more Trafalgar House plans to

expand the reach of its OSI products via a private network the \$100bn size." that will link every operation in the group. Mr Tulley is at Enter the EC and a new acronym. European Procurement Handbook for Open Systems, pains to underline the commercial reality behind the conglomerate's attachment to the DTI's favourite protocol. "We have a sceptical view, freedom to choose suppliers is our motive, in an ideal world we want to switch from hardware platform to platform with

a cut-down version of OSI that tation and says a full scale

The message was that Euroimpractical. "It takes up too peans could establish IT pro- much room on the machine and that's the penalty you pay curement standards on a par with the rigid US government for having standards built by a committee." Such instinctive rules. The list of attendees sounds like a lost language. Ositop, Spag, Ewos and OSTC the grand design's biggest were among the acronyms cele- handicap.

Where does Ephos leave

BP Oil has recently switched from a mainframe-based environment towards Unix and

Mr James Cunningham, project leader at BP, says: "It was particularly attractive in the early days to our European associates, where it would be less easy to justify the cost of huge pipes to tap into an IBM mainframe."

LAN e-mail packages have also become more secure and Dexibility and connectivity are improving. The main suppliers are beginning to introduce global naming, a feature which allows every server on a wide area network to distribute a list of all its users to every other server.

This feature already exists in

Banyan's Vines system, and will be included in Novell's next release of NetWare, Net-Ware 4.0, early next year. Combined with suitable gateway standards scene are cynical connections to other messagabout the proliferation of OSI ing systems, it allows a serve route to make calls right One source close to the DTI across a WAN. claims that commercial reali-

There are now approximately 10m e-mail users worldwide, of whom around half are using a PC LAN-based system. Figures from market researcher Romtec suggest Gosip/Ephos interface as "the bleeding edge". that some 90,000 UK users

hooked up to a new PC-based e-mail system during the first half of this year. This makes e-mail one of the fastest-growing software areas and one which is winning a lot of atten-

The most important innova-

tion is the emergence of the mail-enabled application. Whereas sending a mail message currently involves calling up the e-mail program separately, and creating a text-only message, in future "Mail" will simply be a menu option in virtually any program, similar

to the "Print" command.

Users will be able to create a spreadsheet in Excel. for instance, and mail it to any other user running Excel on the network, adding comments, graphs, even sound. Gateways will allow messages to be sent from PC to Mac to Unix workstation, even a fax

Mr Gavin Lennox, Lotus product marketing manager for cc:Mail, describes a demon-

instantly, using a wide area radio network, where it was automatically routed and pro-

the field to fill in electronic

forms and then sent the infor-

mation back to the office LAN

This type of application takes the emphasis away from simple messaging and into the area of workgroup computing, where groups of users can work collaboratively on shared information. E-mail conferencing becomes possible. Work

Two groups of suppliers have taken it on themselves to put an end to the confusion by producing a standard for writing applications programming interfaces to allow developers tomail-enable applications

> flow can be automated so that for example, an electronicallycreated expenses form can be filtered by the system and automatically routed to a manager for approval if the total exceeds a certain amount.

Mr Allan Paterson, director of planning and control at Bass Breweries, is in the process of introducing Microsoft Mail throughout the organisation. Over 6,000 users worldwide will be added to the system over

stration where sales reps used pen-based portable PCs out in the next two years, and there will also be gateways to the e-mail systems of the company's principal customers and

"It's improving productivity already," he said. "And in the last couple of weeks we've put it on the most senior desks, and we've found once they've tried it people are asking 'can you put it into my home?', or 'can you add such and such a person?' A me-too attitude soon builds up." The snag in this vision of

collaborative working is in the lack of a standard covering how the mail-enabled applications communicate with the messaging back-end, and how that back-end controls the addressing and routing of calls.

Many mini and mainframe e mail systems, in particular, make no distinction between the application and the back-

In fact, few of the several hundred e-mail "standards" currently in existence even agree on the definition of a message, let alone a common way of addressing and routing

Standards body CCITT has published a messaging stan-dard, X.400, but suppliers have found this so limiting that they have tended to implement their



Mark Hassell: LAN-based e-mail has everything

own sersions of it, leading to a distinct lack of compatibility. Novell's Message Handling Service (MHS) has become something of a de facto standard for communication between different LANs, and is supported by most e-mail suppliers, but up to now there has been no standard way of mail-enabling applications.

Until now, each e-mail transport system has had a different API and software developers bave had to produce different versions accordingly.

Two groups of suppliers have taken it on themselves to put an end to this confusion by producing a standard for writing applications programming developers to mail-enable

applications. Microsoft is pushing the Messaging Application Programming Interface (MAPI), and has support from Digital Equipment Corp (DEC), Basnyan Systems, Hewlett-Packard and others.

Meanwhile Lotus, Apple Borland and IBM have teamed up to produce the Vendor Independent Messaging (VIM) standard. Novell is a member of that it will adapt MHS to support both.

Users have pressed each group to include support for the other's standard, but so far with little success.

The best bet for compatibility is the fact that both MAPI and VIM have been submitted to the X.400 API Association. which is expected to produce a compromise Common Application Call Set in the near future.

Once this happens, mail-enabling can really take off in earnest, although this won't happen overnight. Both Microsoft and the VIM consortium will take some time to bring their APIs into line, and the chances are that, just as with the original X.400 standard, developers will add their own

And until a true mail-enabling standard emerges, users will be restricted to packages from either Microsoft or the main VIM members.

As Lotus' Mr Lennoy says "both groups are in around the same position - and that's close to the starting block". interfaces (APIs) to allow

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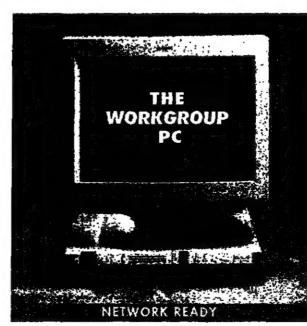
In a nutshell, the LS Pro integrates all the features that other manufacturers only offer as add-in options.

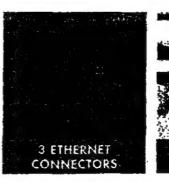
For example, to buy a Dell configured to an

equivalent specification using add-in cards, would

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ATM changes the rules

networks in the past decade has pushed communications technology to its limit.

As companies connect increasing numbers of personal computers and workstations to their enterprise-wide networks. the limitations of the first wave of local area network (LAN) technology have become

In addition, companies now see LANs as more than just a way to connect conventional computers together. They see the potential of multimedia networks and the applications opportunities they offer.

Consequently, they want to use the same network to carry voice traffic and, looking to the future, they want to be able to use it for video and images too.

The combination of these different forms of traffic and the increased volume of digital data they generate means that existing networking technology is inadequate. Fortunately a new technol-

ogy, which can meet the demands of future networks. has emerged from the international telecommunications sector. Asynchronous Transfer Mode (ATM) promises to overcome the limitations of current networking technology and, more importantly, to bring a common form to networking traffic regardless of its content.

Larger companies are starting to plan for ATM technology and it has backing from a broad range of computer and communications suppliers:

"ATM technology offers a different way to build networks and will change the whole networking industry," says Ms Bobbi Murphy, vice-president of marketing for Hughes LAN Systems, the communications subsidiary of Hughes Aircraft.

Hughes LAN is one of the first communications suppliers to come to market with ATM products. Ms Murphy says existing LAN technology is limited in "bandwidth", a measure of the amount of data which can be carried on a communications line. "If you put more users on the network you run into performance problems because of the small band width. And it is made worse by the way that LAN technology

works," she says. Most LANs us either Ether-net technology or "token-ring" technology. In both cases, data is sent around the network in variable length "packets" - a method which incurs processing overheads.

Furthermore, a number of different network formats or protocols has grown up over the past decade and, when a company wants to connect two different types of LAN together, data must be translated from one format to the other. When LANs are connected to external wide area networks (WAN), further translation or "protocol conversion" is usually needed.

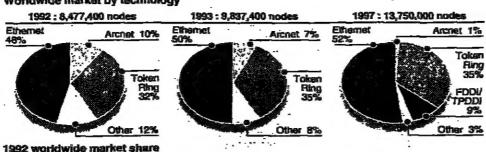
ATM technology aims to solve many of these problems. Like current LAN technology, it also uses "packets" to carry data. But it avoids many of the problems by using a fixed-size packet, Each ATM packet known as a "cell" - contains only 53 bytes of data, including five which are used for addressing and routing the

data through the network. This has a number of advantages - the most important being that the cells can be handled by hardware, thus speeding up the network. The speed of transmission is crucial when carrying the voice and video signals over the network. Current LAN technology operates

trans

PC LAN card

Worldwide market by technology



"It is the first time you will

have all communications in a

single media format. It is not

just a 'go-faster' technology -it enables new applications."

Fore Systems began deliver-

ing ATM compatible network-

ing products in May and sees it

as an important growth area. Like Hughes LAN, Fore

Systems sees the main demand

for products which can belo

the transition from current

which can link to current tech-

nology like Novell's Netware."

that the large telecommunica-

tions suppliers - including

AT&T and MCI in the USA and

British Telecom in the UK -

are committed to move to the

technology for their long-haul

networks. Once in place, all

types of data can be moved

from source to destination

without the need for conver-

"It will probably be 1995

before the wider ATM infra-

structure starts to slot into

space. But there are opportuni-

ties now for companies to use

it for high-speed LANs," says

Paul Taylor looks at the ways electronic data interchange is being put to work

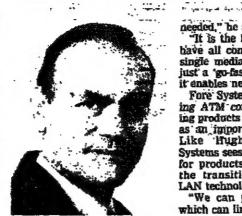
A big advantage of ATM is

"We can provide products

LAN technology to ATM.

says Mr Drury.

Arcnet: 900,000 nodes SMC 16% DEC 6% HP 4% Other 13%



David Drury: a hierarchy of apeeds is possible

at a maximum transmission rate of 10 megabits a second and has the potential to handle

Mr David Drury, European general manager for US supplier Fore Systems, sees the scalability of ATM technology as one of its main virtues: There is a hierarchy of speeds possible with ATM from 155 megabits up to 2.4 gigabits.

if you run out of bandwidth between points in the network you don't have to throw it all out - you can upgrade those parts of the network where higher speeds are

Token Ring: 2,701,000 nodes Engle 15%

IBM 78%

Madge 4%

SMC 4%

The UK could be in the forefront of the move to ATM technology. Plans have been approved by the UK government to upgrade the Janet net-work, which links UK universities and research institutes, to ATM technology. The new network will be known as Super-Janet and will use ATM technology to link 200 sites across the UK.

"We aim to offer much higher performance and provide a multi-service network to handle voice, data and multimedia," says Dr Robert Cooper, director of networking for the UK universities and national research institutes.

"We are moving more towards image-based communications and this will open up all kinds of new applications.

Dr Cooper says education and medical applications in particular will benefit from the faster speeds and greater bandwidth offered by ATM. A pilot application to link six UK sites with ATM is scheduled to start in March 1993. It seems likely that this will

be the first of many moves towards ATM technology for future networking needs.

Network mangement potential remains untapped

FINANCIAL TIMES TUESDAY OCTOBER 13 1992

Waiting to plug in

of the big challenges confronting the information technology industry today. The promised land of open systems, which depends heavily on more effective network management. looks to be still a long way off. The aim is to be able to manage distributed information systems as well as the present generation of centralised mainframe or minicomputer systems. But experts say this will not happen much before

the turn of the century. Mr Steve Wendler, vice-president of US market research firm Gartner Group, predicts cautiously: "In the latter half of the decade we shall start to see these problems more comprehensively addressed."

Meanwhile systems managers remain unable to narness the full power of distributed processing for transmission of large volumes of data across multi-vendor networks to support their critical applications. Network management is a

relatively new subject. Estimates of the proportion of IT hudgets consumed by network management range vary from 2 per cent to 20 per cent, but it is generally agreed that as recession puts budgets under pressure, investment in network management products

has been cut back. Mr Tony Miller, a consultant systems engineer at Hitachi Data Systems says: "There is a general reluctance to invest in network management, because people don't realise that the network is the system."

The upgrading of corporate networks has been stalled and in some cases reversed by the recession. Meanwhile mergers and takeovers among systems suppliers have created a lot of work in rationalising their product lines.

Mr Bob Broadbent, general manager of consulting and technical services for ICL says there are no off-the-shelf solu-Philip Manchester | tions yet, so that tasks such as software version control, often require outside systems integrators to handle.

The network management issue is bigger than most which the industry has tackled up to now because it requires the collaboration of many large companies in computing and telecommunications

Many in the industry say the situation is made worse by the plethora of consortia and standards bodies which appear to be more in conflict than in collaboration. The supreme authority is the

International Standards Organisation, which is developing its open systems interconnection (OSI) framework. But there are no full specifications for network management within OSI nor are there likely to be for perhaps 10 years.

The principal network management software products. such as IBM's Netview and equivalent packages from Hewlett-Packard and Sun Microsystems are moving gradually towards OSL

No supplier now questions that OSI is the ultimate goal, but users are left wondering how to cope until OSI matures. The problem is how to avoid a strategy which results in their technology being obsolete in three years' time.

For instance, many users face s choice between the OSI standard CMIP (Common Management Information protocol) and the SNMP (Simple Network Management protocol), supported by the Internet organisation. Many think CMIP will be the

long-term winner, since it is seen as the cornerstone protocol of OSi, but wonder if in the short term they would be better to back the cheaper and easier, if less secure, SNMP.

SNMP has been widely adopted by users who want to integrate their local area networks, while CMIP has so far only been taken on by a few

their management information from a range of diverse net-

These leading users, mainly multinational corporations. will start to adopt OSI standards more widely in two or three years time. But they will probably not be able to create a full OSI network until well into the next century.

There are some hopeful signs. One is that the Network Management Forum (NMF) dropped the "OSi" from its title, signalling its willingness to adopt a more pragmatic stance. This has strengthened its position as driver of the campaign to set networking standards. It continues to support OSI as a long-term goal, but recognises that users have immediate problems which may compel them to adopt interim solutions based on less than ideal products.

Omnipoint, an initiative run by the NMF, has brought out a set of standards for interoperability which appears to be gaining acceptance.

Some users are looking to solve the problem by outsourcing their networks as well as the rest of their IT. The potential cost-savings from this policy are less impressive than those gained by devolving responsibility for hardware or software, but any savings are seen as worthwhile in the current economic climate.

More importantly, outsourcing can secure access to scarce skills. Mr Chris Massey, IT manager for the Ticketing Group, part of Wembley, the London event organiser, says this was the motive in letting Systems Reliability take charge of his network of Compags and Apples.

High level skills such as those required for network management remain in great demand even amid a rising tide of unemployment.

George Black

THE rapid growth in the use of electronic data interchange (EDI) by companies and other organisations to exchange information, particularly routine documents such as orders and invoices, is beginning to transform the traditional

paper-based business transac-

EDI is a value-added network service which enables two cheaper than paper-based organisations, such as cus tomer and supplier, to exchange business documentation in a standard electronic form using their own computers linked through a service provider. It is one of the most dynamic applications made possible by computer networking and is expected to grow steadily in importance and eventually replace paper-based transactions in many business

Typically, a standard business transaction such as an order is generated on a computer, printed out, sent to a tronically can also belp suppli-supplier and then re-keyed into ers and their customers align puter, printed out, sent to a

another computer. EDI pro-vides an electronic "short-cut"

which is faster and often actions and reduces the In addition using EDI autoneed for re-keying data and therefore the risk of error. matically sets up an "audit

Orders or invoices sent EDI can be placed and con The benefits have firmed in seconds and one US brought big growth in study suggested that electronic the use of EDI in the US trading can reduce the cost of processing a form by 90 per and in the UK

cent. By reducing the time taken to process a transaction manufacturing companies and trail" which enables an organiretailers can reduce their level sation to check and validate of stocks and adopt manageelectronic documentation or ment techniques such as justbill a transaction between sepin-time inventory control. arate parts of the same organi-

Trading information elec-These benefits have brought big growth in the use of EDI in

Towards a world without paper their operations more closely the US, where it originated and the top 20 non-life insurers, 10 (EDI for Administration, Comto sales patterns and other in the UK, which is generally regional health authorities and merce and Transport), the variables, and lead to a closer accepted to be the EDI leader

"partnership" between supplier in Europe. However, Ovum, a consultancy specialising in telecommunications market, suggested in a recent forecast that the rest of Europe is catching up fast. Two years ago, Britain accounted for 60 per cent of European EDI-users. Now, the proportion is down to 40 per cent. Between 6,000 and 7,000 com-

panies and organisations in Britain are using electronic trading and the number is growing by more than 20 per cent a year. But there is still room for growth. Some recent estimates have suggested that only 3 per cent of business transactions in the UK are currently handled by EDI.

International Network Services (INS) the biggest of the UK-based EDI services providers with an estimated 55 per cent market share, handles over 6m documents a month on its Tradanet service and savs 100 new companies are joining it's "EDI community" every month. Its customers include 78 of the top 100 UK companies, nine of the top 10 four clearing banks. Other EDI network service

oliers in the IIK include AT&T Istel, which has a strong base in manufacturing industry, British Telecom, IBM, and SD-Scicon. Companies use these service suppliers because they provide a central "post office" function, directing message traffic to the appropriate recipient and providing any "data translation" needed between different computers or message standards.

UK sectors which have pioneered the use of EDI include the motor and electronics industries and the retail trade, particularly the supermarket chains. The large scale usage by supermarkets in particular highlights the particular attractions of EDI to businesses with high volumes of low-value transactions and those involving fast-moving or perishable goods.

Although EDI is still a relatively new use of networking technology some clear trends are emerging. According to Mr Colin Billinge, marketing director for INS, these include:

emerging group of international message standards. Mr where between 15 and 20 per cent of INS's customers now have international links. Retailers led by Tesco and Boots, which have developed extensive domestic supplier networks using EDL are now doing the same with overseas

suppliers.

Tesco started its international programme in January with MD Foods, its Danish dairy products supplier. Since then it has extended its use of INS-Tradanet overseas to include selected Belgian, German and French suppliers. By the end of this year it expects to have established EDI links with 50 or more overseas sup-

"Our aim is to extend significantly our electronic trading links with European business partners, initially for the trans-mission of EANCOM purchase orders, followed by invoices and other documents such as forecasts of expected demand," says Mr Geoff Warburton, Tes-

co's controller. • Internationalisation. There is an increasing use of Edifact 2 per cent of EDI traffic is

if thinking about connecting all your

headache, you can always reach for

an aspirin. But if you also need to

connections, something stronger

install voice and electrical

computers together gives you a

trans-national, this process is likely to be accelerated by the introduction of the EC single market at the end of this year. Mr Patrick Smith, Boots' EDI

manager, says: "The single market is providing us with the springboard from which to extend our electronic trading links to our numerous international suppliers. The benefits of international EDI are likely to de even greater than w have seen nationally to date, shrinking both time and distance, enabling us to ignore geographic boundaries." Increasing Sophistication.

Originally EDI tended to be used only for basic transactions like ordering and invoicing. However as familiarity

EDI is also being integrated into existing internal electronic mail systems

with electronic trading has grown, so has the range of information transmitted over EDI links.

Some EDI users are now

using the system to exchange information, such as demand forecasts, with their suppliers. For instance Tesco, which has built a network of more than 1,000 firms communicating electronically, has begun to issue 13-week rolling forecasts of demand to some of its suppliers. By cutting the time between placing an order and delivery retailers and their suppliers can operate more efficiently, cut their administra-

tive costs and keep stock levels

to a minimum. Some EDI pioneers have even begun to introduce selfbilling and automatic re-stocking of customers. Using EDI trusted suppliers can be authorised to deliver goods as their customers' stocks run low, without needing order messages. Meanwhile customers can invoice themselves and arrange payment through the banks, which are also starting to join in the EDI networks, thus eliminating the whole paper transaction cycle.

• Integration. EDI is being integrated into the fundamental business process. One effect of this is that there is a growing use of EDI to exchange "unstructured data" for example design work or cad-cam

EDI is also being integrated into existing internal electronic mail systems. Using EDI in this way enables a customer to link two incompatible Email systems, for example in differ-

ent departments or divisions. Software such as INS- Ediswitch is being used by companies to provide both an internal data switch and a gateway to the outside third party services providing what Mr Billinge describes as "the first complete one-stop electronic trading."

EDI is also gradually reaching a wider audience. Not only are new sectors, such as the book industry in the UK, beginning to adopt electronic trading, but customers are devising new innovative uses for EDI

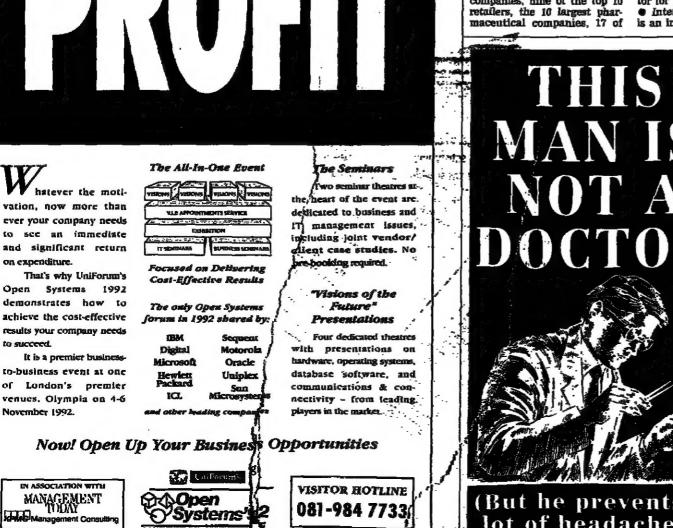
EuroDollar, the UK's second largest daily car rental company, is using it to combat car crime. When EuroDollar purchases a new vehicle its details are sent electronically to HPL a vehicle information specialist, to be stored in its Security Register. Over 16,000 motor dealers check the history of a used vehicle they are offered against the register,

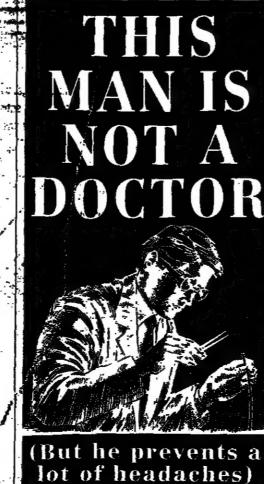
If the vehicle appears on the register: HPI warns the enquirer and the owner, so if EuroDollar receives an "alert" from HPL it knows one of its fleet is being illegally offered for sale and can take immediate action.

Government departments and other public sector organisations such as the national Health Service are also increasing their use of EDI. Within the UK government, the Education Department is probably most advanced in its use of EDI and electronic messaging and all 117 education authori-ties have now been linked into its dedicated EDI network. Other departments, including the Home Office and the Central Statistical Office, are also examining the potential use of what has become known as administrative EDI - to differentiate it from the usual commercial uses of EDI.

The growing use of EDI by both the private and public sector means that it is becoming increasingly important for even small suppliers to have access to an EDI network. Already many big UK companies have begun signalling to their suppliers that they must adopt EDI in the next few years if they want to continue trading together. EDI capability is rapidly becoming part of the cost of doing business.

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Olivetti transfers the videophone from science-fiction to reality

Livening up the picture

THE operators of two personal computers will exchange data hetween Plsa and London today. The information will be flashed across Europe using Integrated Services Digital Network (ISDN) telecoms stan-

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There's nothing unusual about that. What merits a public demonstration at Wembley's Interactive Multi-Media Event is that video cameras fixed to each monitor will transmit a live video image of either user.

The picture forms one frame of a split screen using windowing software. Other windows will contain still images that can be modified by one party as the other looks on. A tele phone handset completes the communications package. The Personal Communica-

tion Computer (PCC) is the result of collaboration between British Telecom and Olivetti multi-media research labs in

It marks the transition of the videophone from science-fiction gimmick to working tool, and owes its existence to the maturing of international communications standards.

Mr Chris Hart is a BT manager for architecture, technology and standards. He has watched video communications struggle after a false start. The original BT video experiments were in the '70s, but what came out of them was teletext. BT had a belief in video telephony then and it bombed." Transmitting a moving image digitally was the

That was before ISDN arrived to support the speed of transmission and provide an internationally agreed standard to carry the data. ISDN has been fuelled by the Open Systems Interconnection (OSI) initiative towards open standards in computer communica-

Without a widespread data standard the PCC would be an expensive laboratory toy. A communications computer that would only talk to machines from the one supplier would not appeal to any sensible

With commonly defined stan dards, BT can launch PCC products with any other computer maker it choses. An alli-ance with IBM is already in the

The PCC only began to make



Olivetti's PCC: a multi-media PC integrating the functions of a video telephone over ISDN lines

graphics together in one PC package. Olivetti used off the shelf products (the video camera is from Panasonic or Sony) and married them to the PCC. The product owes its existence to these underpinning technol-

Not every business application cries out for live video links. Foreign exchange dealers do not require their trading partner to witness the chaos of dealing room. And because ISDN signals still travel over copper wires, the video rate is slowed down to 10 frames a

Communicating with a live member of staff is the next step in the use of multi-media in retailing

second, around a third of TV transfer rates. The result is a slightly jerky picture. But EC-funded work carried

out as part of the Research into Advanced Communications in Europe (Race) project suggests live video links are more than an elaborate gim-

Prototype PCCs became pop ular with staff at Allied Irish Bank. The ability to communicate with a live member of staff is the next step in the use of multi-media in retailing. Interactive systems using

video disks are currently used to sall financial services. But they are limited to answering whatever queries the helpscreen has been pre-programmed for.

Sooner or later human interation is required. One expert work of PCCs.

With enhanced versions on the way, Olivetti is proposing to rent out a pair of PCCs for £2,000 a month, with imminen upgrades thrown in. Used imaginatively the ability to redesign plans and documents on-screen over great distances could offer significant cost ben-

And the advance of open computer communications has already been seized on as a force multiplier by the retail banking industry.
Olivetti will deliver 1,000 net-

work controllers to National Westminster Bank this year. The bank is spending £20m in the current year to get a comprehensive dedicated computer communications systems up and running.

These controllers are powerful workstations known as file servers that will run NatWest retail banking applications in each branch and summon personal account data via the bank's network. The X.25 OSI protocol is the key to Nat-West's plans. Building a network around the open systems model permits chopping and changing suppliers at will, provided they meet OSI criteria.

Olivetti is prime contractor on the project. It integrates software from the bank and third parties and ensures that the resulting system will run happily across a wide area network. This contract comes as recognition of its status in the open systems world. But that achievement also contains a

NatWest is buying in Olivetti expertise in creating a broadthat ties video, audio text and eral retail outlets via a net-nology. Doing the job properly

and within cost is the only guarantee Olivetti has of being asked back to participate next

Olivetti was an early and enthusiastic participant in the business of open communications. Historically it had never invested in its own proprietary protocol. The pay-off comes with contracts such as the Nat-West deal.

But dedication to OSI has its drawbacks. Older, non-open standards still enjoy a massive user base, especially in the US. We were first in when the OSI ball started rolling, but the market basn't embraced OSI to

the extent planned and Olivetti

has invested a huge resource

Mr Chris Wilson is group communications manager at Olivetti in the UK. He is well aware that a religious adherence to OSI can earn little rec-ognition. "Most OSI work we sell is embedded under other products," he says. A majority of UK building societies now rely on OSI networking products from Olivetti. But the

company's crucial code-writing

skills have a low visibility.

As customers exert greater pressure on costs, Olivetti will have to fight to justify prices that reflect a great investment in baseline communications technology. if the PCC is popular BT will have Olivetti's rivals queueing up to adapt their business computers to the world of video links. Getting in first has obvious advantages, but staying ahead of the nack could be tougher than acquiring an open communications capability in the first

Michael Dempsey

PROFILE: DIGITAL EQUIPMENT

Tackling change head on

DIGITAL Equipment is betting its future on open systems. The world's second-biggest computer company - and the first to build its success on the popularity of minicomputers has declared that open systems are vital to its survival.

This is radical stuff, particularly for a company that built its fortunes on "proprietary" computer designs. However. according to Digital Equip-ment's new president and chief executive officer Mr Robert Palmer, the company will not make it to the end of the century without these changes

more competitive environment than it has ever faced before he said in his first major ech since taking the top job at Digital. "Driven by open systems and by breakthroughs in silicon technology, a massive change has been sweeping through our industry. The historically high margins on hard-ware and the business model upon which Digital was built are no longer sustainable

Mr Palmer says Digital has had to change totally the way it operates. "As computer hardware performance skyrockets. open systems and the competitive process are driving down prices and squeezing margins, requiring that we lower our cost of doing business.

"We understand that very clearly. It comes to us in the almost paradoxical messages that we get from our customers. In terms of hardware, customers have never been as empowered to control the market as they are today.

"At the same time, the rapidity of technical change and the difficulty of integrating divergent systems has had an unsettling effect on many cus-

"Some customers are outsourcing - delegating total management of their computers to us. Others are seeking a greater level of advice, support and partnership from us than

One clear demonstration of this commitment has been the development by Digital of its OpenVMS environment - an open systems" variation on the company's popular VMS minicomputer operating system for its VAX range.



Robert Palmer: facing a more competitive environment

Critics of OpenVMS might sug-gest that this is merely Digital's attempt to cash in on the popularity of open systems. But Digital says that it has changed the name of VMS to OpenVMS to reflect its "prod-uct branding" from the X/Open independent open systems group - and that OpenVMS is

OpenVMS environment along with the OSF/1 (Open Systems Foundation) and Microsoft Windows NT operating systems - form the foundation of Digital's new strat-

Meanwhile, Mr Martin Hingley - a senior technology analyst at International Data

'We are committed to the concept of being customer driven . . . Digital is clearly confident that OpenVMS can compete on its merits without the protection of a proprietary lock-in'

now the first premier, commercial operating system to achieve such a level of open systems conformance.

According to X/Open spokesman Mr Michael Lambert, Digital's work towards more open systems by conforming to the standards set by his consortium will serve it in good

"OpenVMS represents a clear response to user needs and the strongest possible commitment to open systems," he said. "Digital is clearly confident that OpenVMS can compete on its merits without the protec-tion of a proprietary lock-in." In addition. Digital says the Corporation (IDC) - suggests that Digital seems to be taking the right approach by building open systems compliance into both the name and content of VMS.

"Open systems are about a lot more than just Unix," he says. "With OpenVMS, Digital's customers no longer need to make choices between 'standards' and the high performance of VAX. Digital also stands to expand its government business in Europe." Digital has another weapon

in its open systems arsenal Known as Alpha, it is a 64-bit computing architecture designed to give Digital a huge

performance edge over the competition.

The first implementation of the Alpha architecture is Digi-tal's DECchip 21064 - which it claims is the world's fastest microprocessor, running at clock speeds of 150 to 200 Mhz. The fastest microprocessors typically used in today's personal computer systems only

run up to 66 Mhz. Digital says that although its latest systems do not use this much-touted Alpha architecture yet, they have been designed to be "Alpha-ready". This should mean that the company's current and prospective customers can "migrate" in the future from existing systems to more powerful VAX or Alpha-based

The final word on these and other plans belongs with new Digital boss Mr Palmer. "We are committed to the concept of being customer driven," he promises. "As our customers demand more, we intend to deliver what they tell us they need. For example, customers are demanding open systems - open systems are driving this market. Digital will therefore do whatever has to be done to be a leader in open

The company, he adds, is also aggressively investing in systems integration and consulting expertise as a part of this drive, "Digital's systems integration business is growing at more than 20 per cent per year and is profitable.

"It represents an excellent opportunity, exceeding \$2bn in revenue in our fiscal year. We will continue to focus bere. and in our multivendor service capabilities. We now service more than 10,000 hardware and software products from 1,300 different vendors.

"And that number is growing. Digital does a better job integrating multiple vendors, hardware and software products than anyone else in the industry, and we will continue to focus on that capability ... We are committed to expanding our industry-focused applications by substantially growing the number of our software

Geof Wheelwright

Executive information unlocks data stored in different systems

Manna to the management

EXECUTIVE information systems have been around since the mid-1960s but it has taken developments in other areas since then to get them widely accepted.

Recent studies suggest that over 40 per cent of the top 1,000 companies in the UK now have these systems and that 7,700 managers in those companies use them. The number of users is expected to grow by 30 per cent this year. In theory and, increasingly,

in practice, executive information systems are the answer to senior management's prayers. They unlock the masses of data stored in different systems across an organisation and present it as colourful, graphical summarles. Users can seek further detail by touching areas on the screen or using a simple keypad or conventional keyboard, but the emphasis throughout is on

ease of use. The raw data behind the charts and graphs comes from the traditional corporate or departmental systems handling order processing, stock control and so on. Other possible sources include external databases or news services, word processors and electronic mail

The executive information system's role is to extract the relevant data from many sources and present it as information in the formats demanded by the users, often on a personal computer connected to a central system. The PC can usually be connected to gather the latest data and then used on its own for examining the information.

The format and content of each chart have traditionally been fixed when the system is set up. The idea was that the system would reflect the periodic management briefing

There are simple links between charts: an executive could move from a consolidated sales graph to a chart about a troubled subsidiary and then to a region and down to an individual shop, product or salesman - each time at the touch of a key or a spot on the

Instant access to summary



David Harvey: think through exactly what you want

information, the potential for highlighting exceptions or vari-ances with budget and the ease with which executives can find the reasons for a variance, in terms of an individual sales-man's performance, have thrown up major implications

for entire organisations. Users have pointed out that with paper reports, if a prob-lem is highlighted at a monthly directors' meeting, someone is asked to gather information for the next meet-ing. An executive information system provides the detail immediately.

This in turn means people further down in the organisation, close to the problem, have to confront realities and react quickly: they can no longer fudge an answer for senior executives, because those executives have the hard data. The direct access to informa-

tion and closer ties between with junior managers also mean the top executives no longer need all the support people who in the past would have been responsible for gathering data and turning it into information reports. In some cases companies have cut three or four layers of management after setting up an executive

information system. Even so, views on the success of the systems have been mixed, at least until recently. At the start of the 1990s studies by Business Intelligence, a research company which largely specialises in executive information systems, found PCs. that although 75 per cent of managers had seen improve-

ments in financial control, information quality and prob-lem solving, similar numbers reported no advantages from

Mr David Harvey, a director of Business Intelligence, says the disappointments were largely due to a failure to apply

replacing existing paper

"Simply replacing the brief-ing book is like using a race-horse to pull a cart," he says. "Too many of these companies failed to think through exactly what they wanted. You have to think about how the system can change the way the organi-sation is run." However, two separate recent developments are starting to change attitudes towards executive information systems and to expand their

First, in the past year suppli-ers have responded to develop-ments in so-called client-server computing, open systems and graphical user interfaces and have built more flexibility into their systems.

Established and traditionally mainframe computer systems are now being offered for PC networks. Where systems used to draw data from corporate files into their own databases specifically for their own use, they now provide direct links into popular database systems such as Oracle and Ingres. In addition, system development aids are being provided so that a user company's computing specialists can set up screens

and the links between them. "Originally executive information system suppliers provided a closed package of user interface software, processing software and data, but now we're separating the components and going for open systems architectures," says a spokesman for Pilot Executive Software, which vies with Comshare for the title of mar-

Prices have also moved more into line with what PC users expect; traditional mainframe systems have cost tens of thousands of pounds to set up; Comshare's new offering starts at £13,700 for 16 networked

The second development affecting executive information

Traditionally finance has been the only measure of cor-porate finance and executive information systems have tended to provide financial reports," says Mr David Harvey at Business Intelligence. "But now there is pressure to redefine business performance measurement and bring in other factors."

Such developments have helped increase both the use of executive information systems and users' satisfaction with

At Norwich Union, for exam-ple, a Comshare system is used daily to look at relevant news from the financial press and analyse it under headings such as insurance companies and disasters. Yorkshire Water monitors trends in water quality, as well as capital invest-

ment and human resources.

The expanding application of executive information systems seems to have brought greater user satisfaction. New research by Business Intelligence* shows that 33 per cent of users mention tangible benefits, 58 per cent intangible benefits and 10 per cent both. Only 4 per cent report no benefits.
In addition two-thirds say

their systems have "substantially" improved their decision making, largely through the ability to get to the bottom of exceptions. The expanding application

and the increased satisfaction are leading to wider use. In the **Business Intelligence survey 40** per cent of respondents said they would have over 50 users within two years and a further 20 per cent expected similar growth in the next three years. In 7 per cent of organisations there would be 1,000 users by

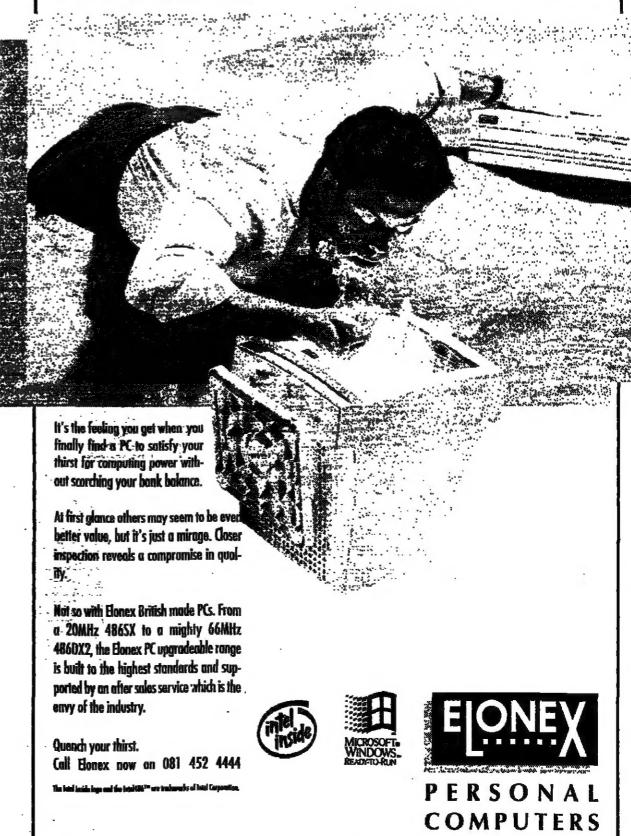
Such growth perhaps explains why suppliers, while keeping EIS as their product name, are increasingly changing the meaning to enterprise information systems. *Understanding Executive

Information Requirements.

Business Intelligence, Forum House, 1 Graham Road, London

SW19 3SW; Tel: 081 544 1830 John Kavanagh

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Mirror to market growth | Widening horizons worked

A PIONEER of local area Microsoft in the computer networking technology, 3Com is also proving to be a survi-vor. The Silicon Valley comoperating systems market. Novell offers DR DOS, an alterpany which played a vital role native to Microsoft's MS DOS PC operating system. Through Univel, its joint venture comin creating the local area net-work (LAN) market in the pany with AT&T's Unix System Laboratory, Novell aims to early 1980s is making a strong come-back after refocusing its expand the use of the Unix operating system on PCs, com-peting with Microsoft's planned Windows NT. Novell product line on global networking hardware two years ago. Founded in 1979, 3Com com-

mercialised "Ethernet" networking technology, which remains a pervasive industry standard for PC networks. Eth-ernet "adapter cards" - add on circuit boards that plug into personal computers and enable them to be linked to a network - remain 3Com's bread and butter products and represent over half of the company's rev-

III fated attempts, in the late 1980s, to broaden the company's participation in the markets for network servers and diskless PCs for networks were jettisoned last year. 3Com also withdrew from the network operating systems market in which it had first attempted to establish its own software standard and then linked with Microsoft by backing LAN

Manager, Already, however, 3Com's new focus on global network-ing is paying off. In September, 3Com announced first quarter 1993 net income of \$4.8m on record sales of \$130.9m. New product orders totalled

For fiscal 1992, ending May 31, 3Com reported total revenues of \$408.4m, up from \$393.6m in 1991. Net income was \$13.3m, down from \$15.4m in the previous year, when the company recorded restructur-Louise Kehoe ing charges of approximately

Ethernet adapter cards market share 3Com Standard Microsystems Anthem Electronics Digital Equipment Router market share 1891 Cisco Systems Wellfleet Digital Equipm Source: The Yankes Group

Mr Eric Benhamou, 3Com's president and chief executive, attributes the company's newfound strength to two strategic directions: a relentlessly global outlook and a steady stream of broad product line announcements to address important links in the networking chain.

The company is now focused upon four core product lines; network adapters, terminal servers, wiring systems and hubs and internetworking plat-

In September, for example. simultaneously announced 12 new hardware products in Budapest, Hong Kong, Paris, Sao Paulo, Stockholm and Milan. These products range from network adapter cards, to structured wiring hubs for directing and managing networks, to bridgers and routers for connecting local and remote networks.

These are some of the fruit of \$120m spent in research and development over the past three years as 3Com beefed up one of the industry's broadest product lines.

in April 3Com launched the well-received NETbuilder II router that positions it solidly in "internetworking", the trend toward linking far-flung local and wide area networks which enables users to connect their existing incompatible networking equipment without having to purchase a completely new

networking system. The internetworking market has huge growth potential. According to Frost and Sullivan, the US market research firm, 70 to 80 per cent of the 3.7m LANs installed to date have yet to be linked to internetworks. With the number of LANs expected to grow to 12.7m by 1995, growth in the internetworking market may

even exceed the pace of growth in the LANs. 3Coms other product plans include an Etherlink family of adapter cards for the 100 megabit-per-second Fiber Distributed Data Interface (FDDI) marketplace. These products

are aggressively priced yet

carry good profit margins, ana-

PROFILE: CISCO

announced a strategy for Asynchronous Transfer Mode products. It also is expected to launch adapter card products for use in Apple Macintosh computers and portable PCs.

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3Com still faces some stiff competition. In the adapter board business, for example, Intel, the leading microprocessor manufacturer, has been making a run at becoming a big time player with aggressively priced 16-bit cards. 3Com also faces stiff competition in the internetworking market from companies such as Cisco Systems and Wellfleet.

Nonetheless, 3Com has posi tioned itself to participate in the fastest growing segments of the networking equipment market and in particular is targetting the European market.

This year, 3Com announced the acquisition of the networking operations of BICC Group plc. Europe's largest manufac turer of networking hubs. The acquisition is expected to strengthen 3Com's market position by expanding its hub and low-end internetworking

3Com has also recently opened a new manufacturing plant near Dublin, Ireland. The new plant, in Blanchardstown, represents an investment of \$16.5m and is 3Com's first production plant outside the US.

Totaling 60,000 square feet and expected to employ 175 people within four years, the new facility has been specifically designed for the production of 3Com's network adapter cards but may, if necessary, be expanded to produce internetworking products, the com-pany said.

William Arnold

WITH A commanding 60 per cent share of the \$800m worldwide market for local area network software, Novell is the standards setter in the fastest growth segment of the computer systems software mar-The company's flagship prod-

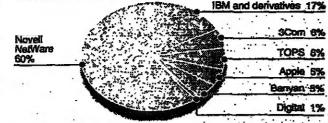
uct. NetWare, had become the de facto standard by the end of 1986 and since then has steadily gained market share. The program is a network operating system that manages and controls the sharing of services, data and applications among personal computers linked to workgroup and departmental networks as well as company-wide information

The network operating system market grew by about 40 per cent last year, according to market analysts, and is expected to maintain at least a 30 per cent growth rate over the next several years. Novell's growth has mirrored that of he market it serves.

For the first nine months of 1992 the company reported revenues of \$673m, an increase of 49 per cent over the same period last year. Net income rose to \$179.5m for the nine month period, an increase of 60

The use of local area networks (LANs) has evolved over the past decade to become a primary element of corporate computing systems. While carly LANs were used primarily to link PCs so that users could share printers or data storage devices, today many corporations are building "enterprise-wide" networks that encompass all of a company's computer systems.

"internetworks" ecome, in effect, the backbone **Network operating systems**



of a corporate computing system and the network operating system is a critical element of the software environment.

Industry analysts predict that, over time, applications programs will increasingly be written not just for stand-alone computer operating systems but also for network operating system, enabling data to be more easily shared among dif-

ferent types of computers.

Novell's expanding role in the software market reflects the growing importance of networking as an alternative to traditional host computer to terminal links.

Novell is expected to launch, before the end of the year, a new version of NetWare that will include features designed to implement international

enterprise-wide internetworks. The market for enterprisewide network operating systems is potentially even larger than the current market for LANs operating systems, according to industry analysts, and could reach \$1bn over the

next few years.
In the low end of the network operating system market for "peer to peer" LANs Novell is, however, facing a new challenge from Microsoft, the world's largest software company, which is about to launch a new version of its "Windows" operating system designed for

use by "workgroups". ment systems that allow net-Mr Bill Gates, Microsoft. work managers to keep track chairman, claims Windows for Workgroups will "subsume" Novell's popular "NetWare Lite" program, a stripped down version of NetWare designed for small office networks.

Novell has not responded to Mr Gates' taunts, but in spile of its dominant role in the PC operating system market, Microsoft has so far failed to unseat the network software

The primary focus of Novell's strategy is in any case focused at larger, rather than smaller, networks. Recent product introductions include message handling software. hub software, routing software and network management software aimed at large scale net-

Last month Novell also began shipping NetWare SNA Links, a program designed to enable International Business Machines customers to connect geographically dispersed PC networks via existing mainframe computer links.

Meanwhile, Novell is mount-

networking software products remain untapped. Currently about 30 to 35 per cent of PCs in the US are linked to networks. The penetration of local area networks is expected to rise to almost 100 per cent over the next decade. Market analysts expect virtually all PCs used in large organisations to be connected to networks. International markets are

owns 55 per cent of Univel.

In recent years Novell has

bolstered its technology base

with a series of acquisitions.

The latest is Annatek Systems

a developer of automated soft-

ware distribution and manage-

of software distribution, instal-

Still, large portions of the potential market for Novell's

lation and updates.

increasingly important for Novell. For the first six months of fiscal 1992, sales outside the US represented 48 per cent of total revenues, up form 44 per cent in fiscal 1991. Japan represents the compa-

ny's most promising new market. With an estimated 10 per cent of the world's PCs installed in Japan, fewer than 5 per cent are currently linked to networks, according to indus-



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Not prepared to play second fiddle

high-growth companies, Cisco Systems is a sizzler. The networking equipment manufacover the past four years with rising demand for products that link incompatible computers and local area networks (LANs) into enterprise-wide

Cisco and others in the internetworking field provide solutions to the problems of companies and organisations that find themselves with a muddle of different types of incompatible computers that cannot "talk" directly to one another. While there is broad recognition of the advantages of linking computers into a single "Internetwork" the task is like that of sorting out a Tower of

"It is as if you had people trying to communicate by telephone speaking different languages." explains Mr John Chambers, Cisco senior

The obvious solution would be to demand that all computers adhere to standards so that they can share data directly "speak the same lan-

This, in fact, is the ultimate goal of "open systems" advo-cates. In the meantime, however, computer users are seeking ways to exploit the full potential of their existing computer systems as well as tying them in to new equipment.

Rather than attempting to force computer users to buy only computers that comply with a particular set of data communications protocols, Cisco aims to enable users to link any and every type of twork".

"The network should be chosen to suit the computing technology - not the computing technology to suit the net-work," Cisco maintains.

Cisco's "routers", "bridges" and "communications servers" are used to sort computer data into "packets", regardless of the data communications pro-tocols, and then to find the most efficient and economical route to deliver them to their destination on the network They also assign priorities to different packets, delivering the most urgent ones first.

The market for such "internetworking" products has grown rapidly over the past few years as corporate computer users have looked for ways to connect different types of computers and LANs into a single internetwork.
Sales of internetwork equip-

ment will increase from \$344m in 1989 to \$892m in 1994, according to International Data (IDC), a US market research group.
Cisco's roots, like those of

AMONG Silicon Valley's "hot" Sun Microsystems, the leading computer workstations manufacturer, lie in a Stanford University project to build a camall departments and laborato-

> Work on this experimental network, in the late 1970s helped to establish several net-

working standards. The Stanford group worked closely with the Defense Department's Advanced Research Projects Agency (Darpa) task force assigned to defining a new network protocol for use in the international defense research network. Arpanet. This work led to the development of the Transmis-

sion Control Protocol and

systems based upon International Business Machines' proprietary networking protocols into PC-based LANs.

companies use IBM's System Network Architecture (SNA) as the primary method for tying their computers together. These networks form the backbone of data communications for many companies, but they are based upon an hierarchical computing model that is rapidly becoming outdated by

Last March IBM made what it called its "most important networking announcement since the introduction of SNA

"peer to peer" networks of PCs

One of the biggest challenges and opportunities - facing the internetworking industry is developing ways to link systems based on IBM proprietary networking protocols into PC-based local area networks

Internet Protocol (TCP/IP) which have become de facto standards internetworking

The Stanford network ecame one of the world's largest LANs in the 1980s, linking thousands of terminals, personal computers, workstations and mainframe computers. Recognising the commercial potential of their work, Mr Len Bosack director of computer facilities for Stanford's Computer Science Department and Sandy Lerner, director of computer facilities in the Graduate School of Business, formed

By late 1987, Cisco's monthly revenues were approximately \$250,000. Five years later, they

Cisco in 1984.

For fiscal 1992, ending in July, the company reported sales of almost \$340m, up 85 per cent from 1991, with net income of over \$84m an increase of 95 per cent from the

pervious fiscal year. One of the biggest challenges and opportunities - facing the internetworking industry is developing ways to link

Big Blue unveiled its plans for an Advanced Peer-to-Peer Networking (APPN) scheme that will give mainframe computers an equal footing with other computers, even PCs, on

a network. IBM promised to make its new APPN protocols available to other computer makers so that they could build products that can talk to IBM networks. Rather than play second fiddle to IBM, however, Cisco is establishing a consortium of companies involved in networking to develop standards for linking SNA net-

works to LANs. Taking on the computer industry glant, Cisco is promoting its competing Advanced r-to-Peer Internetworking (APPI), as an open, free-ofcharge standard available to

all users and vendors. This bold bid to usurp IBM's traditional role as the computer industry's "standards setter" may determine whether Cisco can continue to set industry records for growth.

Louise Kehoe

U\$ open systems market

